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WEATHER DATA APPEAR ON PAGE 18

PARIS, THURSDAY, SEPTEMBER 22, 1983

Attack Is Repelled By Lebanese Army At Key Chuf Town

repulsed an attack by Syrianbacked Druze and Palestinian forces on the key mountain town of Souk el-Gharb on Wednesday, and East Beirut was struck by the heaviest bombardment in this month's

fighting, Beirut radio reported.

Attempts by the United States and Saudi Arabia to arrange a cease-fire were stymied, with both Lebanese and U.S. officials blaming Syrian intransigence for the breakdown of talks.

The state-run radio quoted a Lebanese Army communiqué as tions in Souk el-Gharb after preparatory heavy rocket and artillery non

The army, retaliating with consecutive air and artillery strikes. forced the attackers to retreat, inflicting on them heavy losses in sure its security or assure its domilives and equipment," the communique said.
The residence of the U.S. ambas-

shelled for the second time in as many days. The ambassador was not at the hilltop residence in suburban Yarze when the rockets and artillery shells structs his body-guard reported.

U.S. Navy warships fired about 30 shells from five-inch guns Tues-day night after shelling forced Mr. Dillon to abandon the residence.

There was no indication that Navy guns responded to Wednes-day's shelling of Beirut and its suburbs, which the police called the heaviest since Israel's withdrawal.

The Syrian government-controlled newspaper Tishrin said in an editorial Wednesday that "The United States has become a party in the fighting," and said this could lead to clashes between U.S. and Syrian forces:

In Washington, Secretary of State George P. Shultz blamed Syria for the intensified fighting near Beaut and charged Damascus may be seeking to dominate Lebanon.

Mr. Shultz supported a compromise worked out by the Reagan administration and congressional leaders to allow the 1,200 marines to remain in Berrut for 18 months.

What we are doing in Lebanon Foreign Affairs Committee. For the United States to "turn mayel said.

By David Hoffman

Washington Post Service ...

WASHINGTON - President

Ronald Reagan said Wednesday that a U.S. official "had the hearty

approval of most people in Ameri-

United Nations would be welcome

to move its headquarters out of the

In a luncheon interview with a

group of broadcast journalists, Mr.

Reagan referred to the comments

earlier this week of a U.S. delegate,

Charles M. Lichenstein, who sug-gested that the United States would

welcome the departure of the Unit-

"I think the gentleman who spoke for us the other day," Mr.

Reagan said, "had the hearty ap-

proval of most people in America

in his suggestion that we weren't

asking anyone to leave but if they

Mr. Lichenstein's comment

came in response to criticism from

a Soviet official after Foreign Min-

ister Andrei A. Gromyko's decided

not to attend the General Assembly.

session beginning this week be-

cause of travel restrictions imposed

Mr. Reagan also said Wednes-

day that the chief U.S. delegate to

on him by the United States.

choose to leave, good-bye."

ed Nations from American soil.

when he suggested that the

Compiled by Our Staff From Disputcher tail and beat it" by pulling out the BEIRUT—The Lebanese Army marines in Beirut, Mr. Shultz warned, would be "totally incompatible with our role as a defender of freedom and justice around the

> Mr. Shultz said, "The two tracks of Lebanon's policy - foreign troop withdrawal and national reconciliation — have both been blocked by Syria, which has been heavily rearmed by the Soviet Union since Syria's defeat in battle

Mr. Shultz accused Syria of us ing its influence within Lebanon to block the process of national reconsaying "the alien forces in Kaifoun ciliation and said Damascus "is and Aley attacked the army posi- arming several factions against the · arming several factions against the

While he said no one questions Syria's concerns over its own security, Mr. Shultz said, "The question arises whether Syria's aim is to asnation of Lebanon."

President Ronald Reagan blamed Syria and the Palestine sador, Robert S. Dillon, was Liberation Organization for blocking progress for a cease-fire in Leb-anon, "We still have reason to believe we can obtain that cease-fire," he told broadcasters at the White House, but "if this fails, the peace plan for the whole Middle East ... I think also goes."

Mr. Shultz was less optimistic about the prospects for a cease-fire. saying an end to the fighting "will come about only when all parties conclude it is in their interest." He suggested Syria is not at that point.

Prince Bandar bin Sultan, the Saudi mediator, returned home from Damascus late Tuesday after his apparent failure to reconcile e and Syrian terms.

The Saudi plan proposes a truce along the present front lines, neutral observers to monitor it and eventually a national dialogue to decide Lebanon's political future.

But Lebanese government sources said that Syria, which has been negotiating on behalf of its Lebanese Druze allies, has insisted on excluding Lebanon's prime minister, Shafiq al-Wazzan, and its parliamentary speaker, Kamel al-Assad, from taking part in the national dialogue.

"Lebanon cannot accept such Syrum ter government of President Amin Ge- tions among allied leaders.

Reagan Says UN Delegate's Remarks

Meet With 'Hearty Approval' in U.S.

tunity to see two ways of life. And

Larry M. Speakes, said that the

United States would "meet our ob-

host country for the UN headquar-

of policy, the administration want-

the reception appear to exclude the

Soviet Union.

the United Nations, Jeane J. Kirk- would be for visiting heads of gov- you sail into the sunset."

Speakes said, "Yes, sure."

gestion in a television interview.

we'd permit them to go."

thought about."

patrick had made "an interesting erriment and their foreign minis-

suggestion ... which should be ters, who may be accompanied by

should have six months in the Unit- representatives cannot attend

ed Nations meeting in Moscow and alone. Thus, Oleg A. Troyanvosky,

then six months in New York," he the Soviet permanent delegate, will

reverses his decision not to attend

Mr. Lichenstein said Wednesday

Members of the House Arms

governmental organizations affili-

ated with the UN had called for

But in a telephone interview, Mr.

Mr. Lichenstein told a the UN

they were not welcome in New

He added that he and other U.S.

delegates "will be down on dock-

reported from New York.

said. "It would give them an oppor- not be invited until Mr. Gromyko

Mrs. Kirkpatrick made the sug- Envoy Declines to Quit

Before Mr. Reagan's comments, that he had no plans to resign over

the chief presidential spokesman, his remarks, The Associated Press

ligations" under the treaty that es- Control and Disarmament Caucus

tablished the United States as the and Americans representing non-

Questioned whether, as a matter Mr. Lichenstein's resignation.

main in the United States, Mr. pleasure of the president."

ed the world organization to re- Lichtenstein said. "I serve at the

Mr. Reagan is scheduled to committee on host relations Mon-

speak to the General Assembly on day that if UN members concluded

The White House announced York the United States "strongly

that he would hold a reception Sun- encourages such member states se-

day for visiting diplomats attend-riously to consider removing them-

ing the General Assembly meeting, selves and this organization from

Mr. Speakes said the reception side waving you fond farewell as

but the criteria for invitations to the soil of the United States."

ought about." their permanent UN representa-"Maybe all those delegates tives. But, he said, the permanent

11, 12



Corazón Aquino, widow of the slain opposition leader of Wednesday to thousands of protesters in Manila at a rally the Philippines, read an oath of freedom and democracy to demand the resignation of the Marcos government.

Reagan Calls New Stance On Missiles 'Significant'

WASHINGTON - President Ronald Reagan said Wednesday that he has authorized new instructions for U.S. arms negotiators that represent "significant further de-velopment" of proposals aimed at reducing the risk of nuclear war in

The White House refused to disclose the new position, but a U.S. official said Tuesday that the changes would include a willing-ness to discuss limits on U.S. bombers that can carry either conventional or nuclear bombs.

Also, the official said, the Russians would be told that an accord would lead to the United States cutting back on Pershing-2 as well as cruise missiles targeted on their

The tast-moving Pershings are considered a much graver threat by Moscow than are the cruises. A total of 572 missiles are due to be deployed in Western Europe beginning in December.

Mr. Reagan said the revisions

He said that arms negotiator

Paul H. Nitze "has received new instructions to pursue these U.S. tors in Geneva. These initiatives represent significant further development of the U.S. proposal for an put forward last March. They address a number of Soviet con-

He called on the Soviet Union "to respond in a constructive man-

The White House spokesman, Larry M. Speakes, refused to elaborate on Mr. Reagan's statement. Rowny Hopeful on START

Earlier, Don Oberdorfer of The Washington Post reported from

The United States and the Soviet Union may be able to agree before the end of this year on overall guidelines for reducing their arsenals of long-range nuclear weapons, despite the current chill in their relations, according to an

Edward L. Rowny, the chief U.S. negotiator at the Strategic Arms Reduction Talks in Geneva, said Tuesday that he still hopes the two countries can reach such a preliminary agreement before Christmas. But he said that would depend on whether Secretary of State George P. Shultz and Soviet Foreign Minister Andrei A. Gromyko "are talk-

ing to each other" by then. In an interview with editors and reporters of The Washington Post, Mr. Rowny said that a meeting between Mr. Shultz and Mr. Gromyko probably would be necessary to complete such an agreement after the next round of detailed START negotiations in Geneva. scheduled to begin Oct. 6.

However, Mr. Rowny also said that December would be a watershed for related talks between the United States and the Soviet Union in Geneva on limiting mediumrange nuclear weapons in Europe.

If no agreement is reached in those Intermediate Nuclear Force negotiations before the scheduled December beginning of deployment of U.S. missiles in Western Europe, Mr. Rowny said, it is uncertain what will happen.
He said guidelines for reducing

long-range nuclear weapons could Counting warheads rather

U.S. marines unload supplies from a helicopter Wednesday at Beirut International Airport as smoke rises in the hills from battles between the Lebanese Army and Druze militiamen. than missile launchers. • Setting an overall ceiling on warheads on each side.

 And agreeing on equality in total missile throw-weight, or lifting power.

Mr. Rowny said he believed the

Russians want such an agreement because they already plan to reduce their big advantage in throwweight by moving from large, multi-warhead missiles to smaller, mobile, single-warhead missiles. He also said that Soviet negotiators are eager to limit the number

(Continued on Page 2, Col. 2)

A protester lobs a bomb at troops outside the Malacanang presidential palace during riots in Manila on Wednesday.

7 Are Killed, Scores Injured In Manila Riot **Against Marcos**

By William Chapman

MANILA — At least seven per-sons were killed Wednesday night and scores injured in a confrontation between students and policemen that followed a large protest rally called to demand an end to the government of President Ferdinand E. Marcos.

It was the worst violence to grow out of a series of anti-government demonstrations that erupted after a Marcos foe, Benigno S. Aquino Ir., was slain a month ago. One student had been killed in an earlier en-

The Associated Press said the authorities reported that more than 100 of those injured in the rioting had been hospitalized.

[The official Philippine News Agency reported that a firefighter and a marine corporal had been killed by explosions in the rioting 300 yards (274 meters) from the Malacanang presidential palace. Hospitals reported one other firefighter and four civilians dead of gunsbot wounds and other inju-

After the peaceful raily, several thousand students broke away from the huge crowd and marched on the palace, hurling stones, bottles and small home-made explosives against a police line that at first fell back toward the palace

More soldiers and policemen were rushed in, and they pushed the students back with shields, clubs, buses, water hoses and gunfire. Scattered fighting went on for two hours.

The students burned two police buses used as barricades and left mounds of burning debris in the

bridge that is famous as the site of another battle with government troops in 1972.

The reinforced police line waited for some time behind shields and barricades as the young attackers showered it with small explosives known here as "pillboxes."

Then the police and soldiers counterattacked using clubs, guns and small explosives of their own Guntire erupted on two occasions.

During the day, the police had

heat and for four hours to their leaders, who demanded that the president resign and who called for the memory of Mr. Aquino to be kept alive. "I will not allow fear to stop

the presidential palace.

Ferdinand E. Marcos

compliance with government in-

structions to use caution. The mili-

tary had warned that the rally

After the main battle ceased

there were sporadic incidents in

several parts of Manila. A nonvio-

lent protest swept through the fi-

nancial district in suburban Ma-

the largest crowds in the history of

anti-Marcos protests here, perhaps

exceeded only by the one that ac-

companied the funeral of Mr.

Aquino. Estimates of its size

ranged from 100,000 up to a half-

It was led by Mr. Aquino's wid-

ow, Corazón, who made a pledge of

continued struggle against Mr.

Marcos, It was recited back by the

crowd that overflowed a central

Manila plaza less than a mile from

The crowd listened in stifling

million people

The afternoon rally drew one of

would be infiltrated by radicals.

me," Mrs. Aquino told the crowd. "Regardless of the cost I will defend freedom." At noon, with the opposition vis-

ibly building in the nearby streets. (Continued on Page 2, Col. 5)

an alternative calling for a "build-

down" in nuclear arms and decided

Thatcher Says Soviet Threats Won't Halt Missiles

Compiled by Our Staff From Dispatches BONN - Prime Minister Mar- lution and an alternative calling for the negotiations even after deploy- ther a nuclear freeze resolution or Wednesday that neither threats nor the Senate floor. But the resolution propaganda from the Soviet Union would block deployment of U.S.

missiles in Europe this year. In an interview on West German television, Mrs. Thatcher also said that a pacifist campaign would not succeed in persuading the West to drop plans to deploy cruise and ng-2 missiles to counter Soviet SS-20 missiles that have been targeted against Europe.

In other developments: A Belgian Foreign Ministry spokesman said Wednesday that the West was ready to continue talks with the Soviet Union even alter missile deployment starts. The Soviet Union has not committed itself to pursuing the talks after

 A disarmament expert for the West German opposition Social Democratic Party, Egon Bahr, said Wednesday that the Soviet president, Yuri V. Andropov, had shown new evidence of negotiating flexibility in a letter on nuclear arms limitation. But the U.S. State Department had said earlier that Mr. Andropov's proposal was not

the missiles are installed.

to send both a nuclear freeze resocontained advisories that the panel had agreed with neither plan.

• The East German Protestant Church, running counter to the policy of the Communist government, demanded Tuesday that East Germany refuse to accept any new short-range nuclear missiles.

In her interview on West German television, Mrs. Thatcher said she believes the majority of West Europeans support plans by the North Atlantic Treaty Organiza-

tion to begin missile deployment. "I don't think one could be taken in by the peace movement or assume that the view of a smaller group is the view of the larger," Mrs. Thatcher said.

In a reference to the 572 Pershing-2 and cruise missiles that are scheduled to be deployed beginning in December in Western Europe, she said: "When our modernization goes in, which is Pershings and cruises, we shall take out simultaneously some of the older nuclear weapons." Also referring to that date, the

Belgian Foreign Ministry spokesman said Wednesday that the West The U.S. Senate Foreign Relations Committee decided Tuesday talks on the missiles in Geneva.

"The allies are ready to continue failed to muster majorities for eigaret Thatcher of Britain said a so-called arms "build-down" to ment has started," the spokesman' said. "If concrete results are obtained after deployment has start- to send both to the Senate floor ed, the allies are ready to dismantle with notations that it agreed with deployed missiles."

"On the part of the West, there is no deadline for the negotiations," he said.

explicit about whether it will keep talking once Western deployment starts. Western sources have expressed concern in the past that the Russians would break off the talks, at least temporarily.

Mr. Bahr, the disarmament expert for the Social Democratic Party in West Germany, said Mr. Andropov had shown new signs of negotiating flexibility in a recent

letter on nuclear arms limitation. The letter, published Tuesday by the Tass news agency and addressed to members of the Bundestag from Mr. Bahr's party, outlined Soviet proposals for forestalling NATO deployment of the missiles. Among the new signs of flexibili-ty, he said, was a proposal for a full ban on testing nuclear warheads and missiles. But on Tuesday, the

State Department said the plan contained nothing new. Also on Tuesday, the U.S. Senate Foreign Relations Committee mans.

neither. The Democratic-controlled House adopted a freeze resolution earlier this year. The Reagan ad-The Soviet Union has not been ministration has resisted the idea as

simplistic. The freeze resolution was defeated, 10-7. A substitute build-down

proposal failed on an 8-8 tie. Under the build-down proposal,

the United States and Soviet Union could continue to deploy new weapons, which a freeze would forbid. But for each new weapon deployed, more than one old weapon would have to be retired. In another development Tues-

day, in Potsdam, the East German Protestant Church issued a direct challenge to the government by demanding that no new short-range nuclear missiles be stationed in East Germany.

A church synod overwhelmingly approved the demand as part of a peace resolution. It also called on the authorities to allow closer contacts between Fast and West Ger-

Waiter F. Mondale, the frontrunning Democratic contender for the White House next year, rose to the top through hard work, timing and a mastery of Page 3. detail

INSIDE

The removal of a statue of Franco has raised controversy and jitters in Spain. Page 5.

BUSINESS/FINANCE ■ The U.S. economy is growing at a 7-percent annual rate, the government estimated. Page 13.

SPECIAL REPORT A survey of mounting Latin American debt and austerity measures to deal with it. Page 9. TOMORROW

■ The battered Europe that became today's affluent society is the subject of Richard Mayne's latest book, "Postwar," Mary Blume reports.

France Said to Decode Swiss Bank's Client List

PARIS - French customs officials, with the help of army code and computer experis, have discovered the names of more than 5,000 French residents holding illegal accounts in a Swiss bank, the French satirical weekly Le Canard Enchainé said Wednesday.

The story, published in advance copies of Thursday's edition, gave no source for the information. It said bank officials had denied the existence of any list of names of French

clients. French customs authorities declined com-

The newspaper said French customs officials had managed to obtain three coded lists of French account holders of the Union de Banques Suisses since last November.

After the latest list was passed to the customs officials at the beginning of this year by a former UBS employee, the newspaper said, the officials enlisted the help of French Army code experts, who after several months' work

managed to decode the lists with the help of a the officials maintained that the lists were

The newspaper said that because the list contained only names, the investigators, a total of 400 police and customs officers, used France's income-tax computers to track down the addresses of many of the people Le Canard Enchainé said that the investi-

gators had been unable to connect some common French names with the proper addresses, but still had managed to trace more than 5,000 people.

It said that in the past two weeks hundreds of people on the lists, when contacted by investigators, had admitted holding money in the Swiss bank. France has strict rules governing the transfer of funds by residents to foreign accounts.

The newspaper said that documentation developed during the investigation would be used as evidence in court trials. Le Canard Enchainé said that when it

approached officials of UBS for comment, Swiss.

false. It quoted one as saying: "It is impossi-ble for them to be authentic. We do not have a list of French clients." The officials were aware that police inqui-

ries were being made, the newspaper said. It said the first list fell into the customs officers' possession in November 1982, when a convicted swindler tried to sell it to the

Officials were unable to break the code, Le Canard Enchainé said.

But a few weeks later a second list was discovered by chance in the automobile of a UBS official crossing the French-Swiss border. When the third list was passed secretly to customs officers by the former UBS employee, the army code and computer experts were called in, the newspaper added.

"For UBS, this misadventure which has hit many of their clients is a catastrophe," it said. adding, "Confidence and discretion are the lifeblood of banking prosperity" for the

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Soviet Aide Acknowledges 'Mistake' U.S. to Favor In Shooting Down of Korean Jetliner Independents

EDINBURGH - A Soviet adviser acknowledged Wednesday Flight 7. He said that although the rying 269 people, after it strayed airliner was on a spy mission, the into Soviet territory.

Soviet pilots would never have opened fire if they had known it

that Soviet pilots made a "mistake" of error in the Sept. 1 shooting in shooting down Korean Air Lines down of the South Korean jet, car-

said: "I am not thrilled with the

comment." But he said the remark

would not affect his work in pass-

Mr. Linowes, who said he is Jew-

The Republican-controlled Sen-

million tons of coal in North Dako-

Committee directive that the offer-

ing be delayed for environmental

Democrat who was the chief spon-

New Stance

If all goes well, Mr. Rowny

said, an accord similar to that

reached at Vladivostok in 1974

meeting between President Ronald

Reagan and the Soviet leader, Yuri

The Vladivostok agreement set

Before the incident Sept. 1 in

Mr. Reagan in Washington if the

New York talks went well, the

sources added. Such a meeting

could have established the ground-

work and precedent for a Moscow

meeting between Mr. Shultz and

led to a Reagan-Andropov summit a few months later, they said.

V. Andropov.

At Geneva

In a sharp debate Tuesday, Sena-

meant as a joke.

Senate Rebukes Watt

Watt Jokes About Mix Of People on Coal Panel

WASHINGTON - Interior Watt's characterization of the com-Secretary James G. Watt said mission members, Mr. Gordon Wednesday that the commission he has appointed to study his coal leasing program has "every kind of mixture you can have. I have a ing judgment on Mr. Watt's problack, I have a woman, two Jews and a cripple. And we have talent."

Mr. Watt's comments, before an audience of business lobbyists at the U.S. Chamber of Commerce. brought laughter, but he was later asked by someone in the audience whether such comments were wise in light of criticism the Reagan administration had received from members of minority groups. "It shows you don't have a sense

of humor," Mr. Watt said, "if you can't laugh at yourself."

He praised the members of the Commission on Fair Market Value Policy for Federal Coal Leasing as an "extremely fine group of people

- and I'll never apologize for The commission was established by Congress and its members appointed by Mr. Watt last summer to investigate allegations that the interior secretary's ambitious coal leasing program has cost taxpayers

\$100 million in lost bid reven He said the commission, which is to make recommendations for reforming the leasing program, is made up of three Democrats and

two Republicans. The commission is headed by David Linowes, an economics professor at the University of Illinois. Its other members are Donald C. Alexander, a former Internal Revenue Service commissioner: Andrew Brimmer, a former member of the Federal Reserve Board; Julia Walsh, a Washington investment adviser, and Richard L. Gordon, a professor of mineral economics at Pennsylvania State University.

Mr. Gordon, asked where he fit in Mr. Watt's classification, said: "I am the Jew and the cripple, if you want to call someone who has a paralyzed arm a cripple."

Italian Deputies Vote to Authorize could be formalized next year at a Arrest of Negri

ROME — Italian lawmakers the framework for the SALT-2 nuvoted Wednesday to authorize the clear arms-control treaty. immediate arrest of Toni Negri, one of its newly elected deputies, which a Korean Air Lines passenon charges of terrorism. The na- ger jet was shot down by a Soviet

Mr. Negri, a 50-year-old academic, was accused of inspiring a series of Red Brigades attacks in the 1970s. His trial was suspended and he was freed from jail after winning a deputy's seat, with parhamentary immunity, in last June's

On Tuesday night, the deputies voted in favor of resuming Mr. Negri's trial and later narrowly rejected a leftist proposal to delay his

sense that the pilots took this plane for a reconnaissance plane," the adviser, Viktor Linnyk, said in an interview with the British Broadwas a commercial jet.
It was the first Soviet admission

casting Corp.

The BBC identified him as an adviser to the Soviet leadership and one of nine members of a Soviet delegation to an Edinburgh Uni-versity conference on East-West re-

Mr. Linnyk said the pilots of the Soviet fighters that intercepted the jet "never thought it was a civilian plane."

"If they did, the decision would have been totally different," he said. "I am absolutely certain of

He referred to the United States' acknowledgement that a U.S. Air Force reconnaissance plane was operating over the north Pacific well outside Soviet territory — at the same time the KAL jet flew In a sharply word ish and a Democrat, said Mr. Watt over the Kamchatka peninsula, had called him after the speech to which is studded with top-secret explain that his comments were Soviet military bases. Mr. Linnyk said the presence of the U.S. plane had made Soviet interceptor pilots

'trigger-happy." In Wakkanai, Japan, a Japanese ate has emphatically rebuked Mr. Watt, voting 63-33 to place a moramaritime official said Wednesday that the United States might have located "crucial portions" of the torium on the leasing of federal wreckage of the South Korean aircoal reserves until the commission and Congress can review his pracliner shot down over the Sea of Japan. Rear Admiral Masayoshi tices, The Washington Post report-Kato of the Maritime Safety Agency did not specify what the portions Nearly two dozen Republicans joined Tuesday with most Demomight have been or whether they had been recovered.

crats in reversing an earlier 51-48 vote by which the Senate had re-In Washington, the Pentagon duty officer, Lieutenant Colonel fused to go along with the House in Bill Hudson, and the Navy duty calling for a delay in further coal officer, Lieutenant Roger Still, said they had no information about The loosided Senate vote followed the Interior Department's vessels' locating crucial wreck-

offer last week of leases on 540 The search for wreckage — pit-ting a Soviet flotilla against U.S., ta, in defiance of a House Interior Jananese and South Korean vessels - is focused on recovering the plane's two flight recorders, which policy. might explain why the jumbo jet tor Dale Bumpers, an Arkansas was off course.

U.S. officials in Washington said sor of the moratorium, accused Mr. Watt of "thumbing his nose at the "pinging" signals from the so-called "black boxes" carried in the Boeing 747's tail section.

■ Söviet Harassment Charged Michael Getler of The Washing-ton Post reported from Washington:

of two new U.S. nuclear weapons: search vessels, sometimes in danthe air-launched cruise missiles and Trident-2 submarine-launched

> pulled alongside or crossed closely Soviet line." in front of the two key U.S. salvage officials reported.

■ Pilots Reconsider Boycott

The French National Airline Pifighter, Reagan administration of lots Union has decided to continue while, said that Mr. Negri was in France.

The vote by the Chamber of Deputies was 287-75, with 227 ablengthy meeting with Mr. Gromy- Associated Press reported from ko in Madrid on Sept. 8, and in Paris. The boycott has achieved the later meetings at the United Na-tions in New York. cancellation of some Air France flights from Paris to Moscow. Consideration was being given to

In Frankfort, the West German Defense Ministry charged that Soinviting Mr. Gromyko to meet with viet jetliners using Frankfurt International Airport are equipped with hidden cameras to spy on NATO

West German television showed films Tuesday of an Aeroflot pas-Mr. Andropov, which could have senger plane with lens-shaped bulges on the fusilage parked on

"Of course it was a mistake in the In East Bloc

By William Drozdiak Washington Post Service

VIENNA - Vice President George Bush said Wednesday that the Reagan administration will extend greater political and economic support to East European countries such as Hungary and Romania that seek to assert a more independent line from the Soviet Union.

Mr. Bush added that the United States would not reward "closed societies and belligerent foreign olicies" among pro-Soviet regimes in East Germany, Bulgaria and Czechoslovakia, which he accused of violating human rights and sup-

In a sharply worded address here at the end of a seven-nation tour through North Africa and Central Europe, Mr. Bush said the administration rejected the notion of a divided Europe and was prepared to encourage Soviet-bloc countries to embark on reforms that would open new channels to the West.

A senior Western diplomat here called the speech "remarkably tough" in its open exhortation to East Europeans to spurn Soviet Mr. Bush interspersed his appeal to East-bloc countries with harsh

condemnation of the Soviet Union, denouncing Moscow for its mili-tary buildup and the "brutal mur-der" of 269 people on the South Korean jet that was shot down Sept. 1 in Soviet airspace. What are we to think of leaders

who compound such brutal deeds with bald and careless lies and who respond to the just inquiries of the international community with utter contempt?" Mr. Bush said before the Austrian association of foreign

He disputed the view that the Yalta summit conference after World War II split Europe into Navy salvage tug Narragansett had "spheres of influence" between the twice picked up and then lost the great powers, saying, "We recog-

nize no lawful division of Europe."
The United States, Mr. Bush said, wanted to establish good relations with East European countries based on "three basic aspirations: freedom, prosperity and peace."

But he said U.S. policy was "one of differentiation, that is, we look The Defense Department to what degree countries pursue aucharged that Soviet vessels in the tonomous foreign policies, inde-Sea of Japan were harassing U.S. pendent of Moscow's direction." Mr. Bush said that some nations

gerous ways, in an effort to block had "introduced greater openness the Navy from recovering the black in their societies, lowered barriers to human contacts and engaged in Officials said that the Soviet ves- market-oriented reforms. Others, sels, on at least three occasions, had unfortunately, continue to toe the

Citing Hungary and Romania, ships while they were under way. he said the United States would ardize the country's economic state U.S. ships took evasive action improve "political, economic and bility and the laid out a 10-point to avoid a collision and in the procultural relations" with East-bloc program of economic measures he cess broke their search patterns, the countries that assert greater inde-said "will lighten the burden on the

But he ruled out any cooperation with "countries such as Bulgaria planned increases in social security and Czechoslovakia, which continfundamental human rights, or East ment intrusion in private business. Germany, and again Bulgaria. which act as proxies to the Soviets several attempts by Mr. Marcos to

During a four-hour meeting with President Nicolai Ceaucescu of Romania, Mr. Bush was impressed by

Lize many new supporters against the president.

Mr. Aquino was the major politimania, Mr. Bush was impressed by his relative independence on defense matters and his interest in is a widespread belief here that seeing the arms race halted, according to a member of the vice presi-dered him killed. A series of recent dent's delegation.

Mr. Ceaucescu has refused to allow Warsaw Pact maneuvers to be peated once again his refusal to personally sought a formula to break the deadlock in Geneva.



Piles of garbage, uncollected by striking sanitation workers, mount in front of the city hall in Brussels.

Belgium's Christian Unions Accept Proposals to Halt Weeklong Strike

BRUSSELS — One of Belgium's two main trade union federations accepted on Wednesday government proposals aimed at ending a weeklong strike in transport and other state services, a goven minister reported.

Interior Minister Charles-Ferdinand Nothomb said after more than eight hours of talks that the Christian unions had endorsed the proposals. He said the Socialists, the other major trade union group, were due to respond later Wednesday night.

Mr. Nothomb, who headed the government team in the talks with the unions, said leaders of the Christian unions would now recom-

mend acceptance of the package to their members.

It includes a government pledge to maintain public service staffing at January 1983 levels, to adjust proposals on salary payment dates

and to preserve the present pensions system.

The strike has left Belgium with no public transportation and erratic mail service. The port of Antwerp and the Brussels airport are idle, many schools are closed and the state-owned radio and television networks sharply reduced their service.

7 Killed, Scores Injured In Anti-Marcos Rioting

(Continued from Page 1) Mr. Marcos went on national television and said he was more "saddened than angered" by the dem-

He said such discord would jeopprivate sector."

Mr. Marcos promised to cancel premiums, "discourage" college tuused Mr. Aquino's death to mobi-

cal threat to Mr. Marcos, and there someone in the government or-Marcos resign, but Tuesday he re-

Anti-American signs were prom-inently displayed at Wednesday's lista Party.

rally by those in the diverse opposition, which accuses the Reagan administration of supporting Mr.

A large banner depicting a crowd storming up a hill toward the presi-dent and his wife, Imelda, carried the slogan: "Oust the U.S.-backed Marcos regime."

Signs read "Down with the U.S." and called for an end to the "U.S.-Marcos dictatorship.'

Others said, "Reagan stay home
—go to hell," a reference to President Ronald Reagan's scheduled it here in November

The measures were the latest of here frequently have an anti-Amerin the training, funding and arming defuse the opposition, which has cancellation of agreements that permit the operation of large U.S. naval and air bases. But until Wednesday, the anti-American theme had not been prominent in the protests arising out of Mr. Acuino's murder.

The protest was organized by a spectrum of opposition groups led by such figures as Salvador H. Laurel, who recently resigned as senator, Diosdado Macapagal, a former ilippine president, and José B. Laurel, president of the Naciona-

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672 Are Banned From Turkish Ballot

ANKARA (AP) — Turkey's ruling generals Wednesday struck from the ballots 672 of 1,683 candidates running for parliament in elections

scheduled for Nov. 6. Worst hit were independent candidates, with 428 out of 483 failing to receive the required approval of the National Security Council. The remaining vetoes were evenly distributed among the three parties permit-

ted by the generals to participate.

The Conservative Nationalist Democracy Party, set up with encouragement from the military, received 74 vetoes. The free enterprise-oriented Motherland Party of Turkey's former economic czar, Turgut Ozal, had 81 candidates considered unfit to seek elective office. The moderate left Populist Party had 89.

U.S. Priest Is Said to Die in Honduras

TEGUCIGALPA, Honduras (AP) — A Jesuit priest from the United States who had joined leftist guerrillas died of exhaustion while trying to

flee Honduran troops, a military spokesman said.
Colonel Cesar Elvir Sierra said the Rev. James Francis Carney, 48, of Saint Louis, Missouri, died while trying to escape with a rebel force in the jungles of Olancho province during a government sweep of a mountainous area near the Nicaraguan border. He provided no other details on Father Carney's death, but he said a guerrilla leader, José Maria Reyes Mata, also was killed Sunday during the drive. U.S. Embassy officials declined comment.

Father Carney was expelled from Hondoras in 1979 after being accused of trying to organize a peasant revolt, according to acquaint-ances. They said that, except for a few months in the United States, he had spent most of his time since then in Nicaragna.

Iran Says Damaged Well Is Capped

NICOSIA (AP) — Iran said Wednesday that it has capped a war-damaged oil well that has been spewing crude into the Gulf for nearly seven months. The Tehran government made the assertion on the third anniversary of Iraq's invasion.

The well, in the Nowruz field in the northern end of the Gulf, was

capped by Iranian experts working without foreign assistance, Iran's IRNA news agency said, quoting the Oil Ministry.

The leaking well created a huge oil slick that has been floating about

the Gulf, threatening marine life and the desalination plants of the states in the region. The well was damaged in an Iraqi air raid March 1. Various estimates put the spillage from 2,000 to 5,000 barrels of crude oil daily.

Hitler Diaries Reporter Leaves Jail

HAMBURG (AP) — The reporter who obtained the fake Hitler diaries was freed from jail Wednesday and "completely cleared" of suspicion, his

The attorney, Holger Schroeder, of Hamburg said Gerd Heidemann was cleared of allegations that he helped a Nazi regalia dealer, Konrad Kujan, forge the 62 handwritten volumes and kept part of the 9.34 million marks (about \$3.75 million) Stern magazine paid for the bogus books. Mr. Heademann, 51, was fired from Stern and accused of fraud by his former employer last May after the federal government exposed the diaries as "crude fakes." He was jailed May 26 and released Aug. 2 but was rearrested 24 hours later when prosecutors convinced a higher court be might tamper with evidence or flee the country.

Argentine A-Bomb Report Dismissed

VIENNA (Reuters) — International press reports that Argentina is secretly planning to develop a nuclear arsenal were dismissed as unfounded Wednesday by officials at the United Nations International Atomic

"All Argentina's nuclear reactors are under IAEA safeguards," an official said, "and they could not divert nuclear materials undetected. It is pure speculation." IAEA officials added that Argentina could develop

the bomb only by obtaining nuclear fuel from outside sources. "It is not likely that they could achieve that," one official said.

Several newspapers reported this week that a U.S. intelligence document revealed that the Argentine government was devising ways to divert nuclear fuel from under the large of IAPA in the Argentine government. nuclear fuel from under the noses of IAEA inspectors. The reports also said Argentina had built nuclear plants that were not monitored by the Vienna-based UN agency.

Herzog Asks Shamir to Form Cabinet

JERUSALEM (WP) — Foreign Minister Yitzhak Shamir has been asked formally by President Chaim Herzog to form the next Israeli

After a meeting with Mr. Herzog Wednesday at the president's residence, Mr. Shamir asked the opposition Labor alignment to join the ruling Likud bloc in establishing a "government of national unity."

However, the prospects of such a government are considered slim both because of the ideological differences between the two sides and the practical considerations of who would be in the cabinet.

For the Record

AJACCIO. Cor Leftist student demonstrations tion Front on Wednesday claimed to have carried out the recent assassinations of a government official. Pierre-Jean Massimi, and a restaurant owner, Felix Rosso. It said the two had been the "principal organizers" of the disappearance and alleged murder of a nationalist militant, Guy

SANTIAGO (AP) — The military government Tuesday dropped slander charges against the opposition leader, Rodolfo Seguel, and freed him after 12 days in prison, following an appeal by the Catholic Church. He had been on a hunger strike since Sept. 9.

MARIETTA, Georgia (AP) — Kathryn McDonald, 34, widow of Representative Lawrence P. McDonald, who was killed aboard the Korean airliner shot down by the Soviet Union, announced Wednesday she will run for his seat in the special election in Georgia Oct. 18.

SINGAPORE (UPI) - King Hussein of Jordan arrived in Singapore on a private visit Wednesday and expressed fears about the situation in Lebanon. "It is one of the most dangerous and sad periods of our people

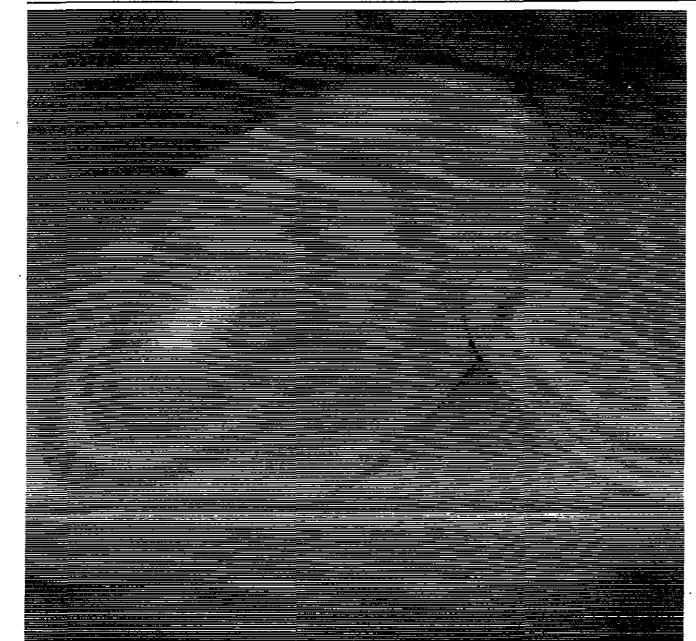
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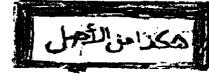
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to Die in Honda kia, and "Wallace defended it. I got up and walked out," Mr. Mondale illas died of exhaustion half that died of exhaustion which spokesiman said the Rev. James Francis Consistent to exhaustion which are designed to exhaustion the Rev. James Francis Consistent to exhaustion the provided so other said. He provided so other said a guerrilla leader, lose has sainty the drive. U.S. Embasio from Houstings in the Mr. Mondale decided right there that he wanted nothing to do with Wallace's branch of the Democratto recollections, few students were

interested in the minutiae of European politics; in a time of economic from Homers in 1979 the incertainty, just after a major war, they were working hard to get From Francisco in 1919 Set possessing Francisco according to the Control of the C

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the 20-year-old Mr. Mondale ed Well Is Cappe showed many outward signs of a particular interest in politics. He particular interest in politics. He was good at sports in high school and remembered "laughing all the time." Yet, by the end of 1948 he had managed two winning campaigns and had made a significant beginning on making the contacts Wednesday that it has capital water the capital and the assertion of the capital and the capit in the northern end of the Co ting without foreign account - and establishing the record g the Oil Manager that make him today the front-run-

get oil slick that has been long; and the decalination plants in god in an Iran; air rate March I; 1000 to 5,000 parents of crude; Mr. Mondale had the good for-tune to become politically active at a time when Minnesota's Demoeporter Leaves li cratic-Farmer-Labor Party was young. But leaders like Hubert H. atter who channel the lake Hobi Humphrey — then 37 years old of completely the of the did not step into a vacuum.

By Michael Barone

Washington Past Service

WASHINGTON - When Wal-

In those years, at least according

And it does not seem likely that

ner for the Democratic presidential

Mr. Mondale was working in a canning factory in Faribanit, near his parents' home in the tiny town of Elmore, and asked his friend,
Donald Fraser — later congressman and now mayor of Minneapolis - if he could help organize for Humphrey in the mostly rural Second Congressional District.

Mondale Backs Navy Role in Lebanon, Faults Reagan on Danger to Marines

Washington Past Service

way?" The Humphrey forces won where his appointment was the control of the Democratic-Farmer- likely decision. No one anticipated Labor Party and carried the state that the office of state attorney gen-for Truman and Humphrey. that the office of state attorney gen-eral would be open in April 1960; for Truman and Humphrey.

ter F. Mondale was studying Euro-pean history at Macalester College in Minnesota, he went to a rally for Henry Wallace, who was running for president. It was 1948, just after the Soviet takeover of Czechoslova-THE CANDIDATES

Mondale: A Master of Detail

This is one in a series of occasional articles about the men who are seeking the Democratic nomination for U.S. president in 1984.

wife died shortly after, and he bare-ly survived a case of lockjaw. A lished himself as the Democraticdominantly Lutheran state — in a town of 2,000, he was transferred to a town of 600. He remarried, and carthy.

He was always laughing." choice to succeed Humphr The elder Mondale was what he became vice president. would later be called a liberal. In the 1930s he made sure that his and Humphrey's elevation, it is un-sons knew that people needed help likely that Mr. Mondale would with food; he spoke out against racial discrimination; after Hiro- by age 36. But he was a very good shima, he preached on the dangers bet to be governor or senator soon

of atomic weapons.

Finlay Lewis, in his biography,

"Mondale: Portrait of an American

He was criticize Politician," tells how Humphrey talked to Mr. Mondale's fatally ill father after a 1948 rally. Two years later at 22, Mr. Mondale was asked he perceived that there was not to manage Orville Freeman's cammuch of an opening that year for a paign for Minnesota attorney gen- candidate who, by that time, aperal; Mr. Mondale went on to man-proached issues as a Washington age Mr. Freeman's successful insider. gubernatorial campaigns in 1956
and 1958 and was the Democratical a story not of a listless protégé, but Farmer-Labor Party's state finance of an ambitious man who worked

director.

NEW YORK - Former Vice looking Beirut. President Walter F. Mondale has endorsed the U.S. naval shelling of anti-government forces in Lebanon said Mr. Mondale, who is seeking but has blamed the Reagan admin-the Democratic presidential nomiistration's "policy illusions" for nation.
putting marines "in jeopardy." He cr

Organizations on Tuesday, Mr. Said, the PLO leader, Yasser Aradangers" in Monday's decision to any U.S. and forces and Suddenly the PLO leader, Yasser Aradangers in Monday's decision to fat, "is back in Lebanon and the as just about any American of his put U.S. naval firepower into the marines are being killed."

battle for the strategic heights over-

"But as long as the marines are

He criticized the Reagan admin-

Democrat Adapts Easily but Stays True to Early Beliefs ey, and Mr. Mondale asked, ment. The fact is that in each case "Would you object if I did it any- he worked himself into a position Mr. Mondale's father knew mis- the incumbent, Miles Lord, had a ferocious temper, and resigned after a dispute with Mr. Freeman. Mr. Mondale, who had proved

> tail, was a logical appointee, although only 32. Once in office, he studied the statute books. He found powers fortune: he lost several farms in the that other attorneys general had depression of the early 1920s, his never used, and — using them exnister — a Methodist in a pre- Farmer-Labor Party's strongest

himself by careful attention to de-

his son, Walter F. Mondale, was horn when he was 52.

In photos he looks dour, but Mr. Mondale remembers his father as cratic Party's credentials challenge "having a great sense of humor. He at the 1964 national convention. So was very optimistic, a happyman. Mr. Mondale was the natural choice to succeed Humphrey when

> Without Mr. Lord's resignation have risen to high statewide office er or later, and perhaps a national

He was criticized by some, including Jimmy Carter, for with-drawing from the 1976 presidential campaign as early as 1974. Perhaps

Mr. Mondale's political career is hard, mastered details, defused dif-The conventional wisdom about ficult problems and moved relent-Walter Mondale is that he reached lessly ahead of others, some of Mr. Fraser said he had no mon- each office he held by appoint- whom started out with more ad-

Among the presidential candidates, only Ernest F. Hollings has a career in electoral politics that goes back as far; Mr. Mondale is one of the few active politicians (Ronald Reagan is another) for whom the post-World War II fights between Soviet sympathizers and anti-Communist liberals were a searing personal experience.

Mr. Mondale adapts to new issues and new times. Yet his basic stands, and his driving ambition. In a speech and question-andanswer session on Middle East policy before the Conference of Presidents of Major American Jewish

Commissions on Typeday Mr.

Tractical care forces Now he laurehad a political career that he



Walter F. Mondale, the Democratic front-runner.

Advisers Urging Reagan To Seek Space Station

By John Noble Wilford

New York Times Service NEW YORK - President Ronald Reagan is said to be under pressure from his political strate-gists to endorse a major new space endeavor, the orbiting space station, as a tactical move against Senator John Glenn, the former astronaut who could be Mr. Reagan's Democratic opponent in the next

Administration officials say the president is being encouraged to cost \$6 billion to \$9 billion by 1991, ing there was no immediate sciento neutralize Mr. Glenn's hero imific need for the station, but and asked each of them to review ship in space technology.

Space Administration has lobbied activities." vigorously in recent months to win gan next year, a large space station and that no announcement ap-could be sent into orbit by 1991. peared to be imminent.

Although the project has strong backing in Congress, in the aerospace industry and among some in the White House, opposition has been raised by the Defense Department, the Central Intelligence Agency and the Office of Management and Budget.

Both the Pentagon and the CIA of Michigan, chairman of the comcontend that there is no military or intelligence-gathering mission for tee chairmen, Robert Garcia of the space station that could not be New York and Mickey Leland of done as well and at less cost with Texas, also sent copies of the report unmanned satellites.

The National Academy of Sciannounce the project, estimated to ences issued a report last week sayage" and demonstrate a commit-ment to maintaining U.S. leadercould serve as a very useful facility The National Aeronautics and in support of future space science

Bruce Abel, press secretary to support for the space station as the president's science adviser, "the next logical step" in the na-tion's space program. In July, the agency said that if development be-

About Meese Loan, 3 in House Say

Report by GAO 'Raises Questions'

clients' money, the GAO report By Charles R. Babcock
Washington Post Service Mr. Moese's financial disclosure WASHINGTON -Three mem-

statements show that he put up no bers of the House of Representacollateral for the loans in 1981, that tives have asked the Justice Departthe principal was not due until Mr. ment to review a General McKean demanded it and that the Accounting Office report that interest, from 18 to 21 percent, was "raises questions" about the hanpayable annually. dling of \$60,000 in loans given to Edwin Meese 3d, counselor to Pres-

ident Ronald Reagan, by a presi-

The report, released Tuesday, said Mr. Meese owed \$20,000 in

interest on the loans as recently as

last month, including \$7,500 that

he failed to report as a gift on his latest financial disclosure state-

The loans were arranged in 1981

R. McKean, while Mr. Meese and

another McKean client, the White

House deputy chief of staff, Mi-chael K. Deaver, were getting Mr.

McKean a \$10,000-a-year presidential appointment to the U.S. Postal Service board of governors.

Mr. Meese said Tuesday that the

GAO report showed that there was

"no wrongdoing" and that the \$60,000 loan and \$20,000 in inter-

est were paid within the last month, after he took out an \$80,000 bank

"The important thing is that the loan has been paid back, as was intended," Mr. Meese said. "That

was always the case." He said he

would, if necessary, work with the White House counsel, Fred F. Fielding, to amend his financial

disclosure statements.

Mr. McKean could not be

In a letter Tuesday to Attorney

General William French Smith,

three Democratic members of

House Post Office and Civil Ser-

vices Committee said the GAO re-

port "raises questions concerning

the circumstances surrounding the

nomination and confirmation of

mittee, and two of his subcommit-

to Mr. Fielding, the Senate Ethics Committee, and the Office of Gov-

ecutive branch disclosure forms,

Mr. Meese and Mr. McKean

have said there was no connection

between the loans and Mr.

A Justice Department spokes-

man said Tuesday that Attorney

General Smith had no comment

Mr. McKean arranged a total of \$60,000 in loans to Mr. Meese in

July and December, 1981, from an

office "investment pool" of other

McKean's appointment.

Representative William D. Ford

reached for comment.

Mr. McKean.

the matter.

his personal accountant, John

dential appointee.

Mr. McKean was nominated in November 1981 to fill a five-year opening on the Postal Service board. The report noted that Mr. McKean made no mention of his "fiduciary" relationship with Mr. Meese when asked about such responsibilities during his confirmation process.

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De Lorean Lawyers Say Polygraph Clears Him

By Jay Mathews Washington Post Service

LOS ANGELES — According to attorneys for John Z. De Lorean, the former auto maker, their client has passed a polygraph test showing that he did not enter intentionally into a \$24-million cocaine-trafficking scheme as alleged by federal

Mr. De Lorean's polygraph, or lie detector, test was conducted, and its results attested to, by two polygraph experts. The unexpected release of the results Tuesday was the strongest move to date by Mr. De Lorean and his attorneys to

Although polygraph tests rarely are admitted as evidence in federal cases, the results are expected to complicate government efforts to convict Mr. De Lorean on the basis of testimony by James T. Hoffman, a convicted drug trafficker and government informer who says Mr. De Lorean asked him to join a drug

Three of Mr. De Lorean's attorneys — Howard Weitzman, Donald Re and Mona Soo Hoo - also disclosed what they said was secret grand-jury testimony by Mr. Hoffman alleging that Mr. De Lorean told him he had engaged in drug trafficking before and had helped start his sports car company in Northern Ireland "through a drug

In the polygraph examination, according to a letter from two University of Utah specialists, David C. Raskin and Charles R. Honts, Mr. De Lorean denied that he had discussed drugs with Mr. Hoffman

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before 1982, denied that he had proposed a drug transaction to Mr. Hoffman and said it was Mr. Hoffman who had proposed the drug

The experts said indications of Mr. De Lorean's truthfulness from ements of his breathing, skin condition, blood pressure, pulse and heart rate "were unusually strong and clear." He registered the maximum attainable score on a computer analysis of the results.

Mr. De Lorean's attorneys have asked U.S. District Judge Robert M. Takasugi for permission to use the polygraph results in arguing for dismissal of the mine-count indictment against Mr. De Lorean on the ground of "outrageous government conduct."

They said in their application filed in Los Angeles that the poly-graph results "show that De Lorean was set up and that the government, and its agents, lied about it. The ramifications of these facts to this case, and to government narcotics prosecutions in general, are

neighbor in San Diego, met with him July 11, 1982, and said he "wanted to invest up to \$2 million" in heroin to save his faltering com-

Assistant U.S. Attorney James Walsh, chief prosecutor in the case, declined to comment on Mr. Hoffman's alleged statements to the grand jury or on the De Lorean polygraph test results.

Mr. Raskin, a psychology profesor at Utah, said in a telephone interview that he had tested Mr. De Lorean on Saturday in Salt Lake

He noted that research has shown that a person who is psychotic and sincerely believes he is telling the truth could fool the ma- U.S. aid to anti-Sandinist rebels chine, "but I can't imagine that that was aimed specifically at stopping is a factor in this particular case. the flow of arms from the Sandin-The man is not psychotic by any ists to leftist guerrillas in El Salva-



NEW PRESIDENT —A smiling Jorge Illueca is escorted to the dais of the UN General Assembly to take a seat as president of the 38th session. Mr. Illueca, Panama's vice president, defeated Ambassador Davidson L. Hepburn of the Bahamas in an 83-70 vote.

New U.S. Justification of Covert Role Mr. Hoffman has told prosecutors that Mr. De Lorean, once his

By Joanne Omang

Washington Post Service WASHINGTON - Secretary of State George P. Shultz and the director of central intelligence, William J. Casey, have offered Con-gress a new justification for covert U.S. activity against Nicaragua, stating that its purpose is to pressure the leftist Sandinist government into stopping its efforts to export revoluti

Sources said the stance, presented to members of the Senate Intelligence Committee in a closed meeting, was a significant shift in hasis from previous administration explanations that covert

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vert aid can now be justified as questioning." They said committee being necessary as long as Nicaramembers "seemed inclined to supgua helps leftist guerrillas any-port the proposal." where in Central America.

The new justification is consistent with recent Reagan administration demands that the Sandinists change their overall behavior in Central America. The administration has vehemently denied that it supports the avowed goal of the anti-Sandinist rebels to overthrow the Nicaraguan government.

In a statement after Tuesday's meeting, Senator Barry Goldwater, the Intelligence Committee chairman, said he expects the committee to decide whether to approve the administration's new position by the end of the week. Approval would put before the Senate the question of continuing the estimated \$80-million program of aid to anti-Sandinist rebel forces.

The committee voted last May to continue funds for covert action in Nicaragua after Oct. 1 on the condition that President Ronald Reagan provide "a redefined position on Central America," Mr. Goldwa-ter, an Arizona Republican, said at the time. "We want him to tell us in plain language just what it is he wants to do relative to Nicaragua and the other countries."

The sources said Tuesday's meeting was "not heated" despite the presence of several prominent administration critics and what

Instead, the sources said, the co- they described as some "very tough

In the House, William E. Colby, a former director of Central Intelligence, urged the Intelligence Committee to reject proposed new curbs on the agency's covert actions abroad. He said the proposed curbs were not the proper response to Congress's frustrations over being unable to keep track of Central Intelligence Agency activities.

Mr. Colby was the opening witness at three days of committee hearings on legislation sponsored Representative Wyche Fowler to give prior notice to the House and Senate Intelligence committees of any covert action; the committees then would be able to veto such action. Existing law requires only that Congress be "fully and cur-rently informed" of "significant" activity. It offers no remedy other than a fund cutoff afterward

Covert action also would have to be preceded by a written presidenfinding to the committees that the action was essential to U.S. security, consistent with stated U.S. foreign policy, and necessary despite its risks because extraordinary circumstances meant that overt or less sensitive tactics could not accomplish the goal. Wartime operations would be exempt from the restrictions.

Pretoria's White Knight Heads Into Battle Again Pik Botha, After Period of Inactivity, Is Campaigning for New Constitution

By Joseph Lelyveld

New York Times Service PRETORIA - In the eyes of his admirers in the white electorate, Foreign Minister R.F. Botha had been a dauntiess paladin who swashbuckled out into a hostile world to do rhetorical battle with anyone who sullied his country's

ago, he started to seem subdued and, except for occasional statements on what he viewed as the hypocrisy and double standards of the United Nations, almost as if he

wanted to be ignored.

Noting that he had lost weight. to the point of sometimes looking drawn, and that his speeches in Parliament had lost their combative edge, those who find white politics in South Africa an engrossing subject began to wonder whether Mr. Botha, or "Pik," as he is universally known, was experiencing a

He was still one of the youngest members of the cabinet, but his name seldom figured when there was speculation about the leadership sweepstakes in his party. There were even rumors, fed partly by his own ambiguous remarks, that he might retire. The supposedly informed opinion said that what Pik Botha was really experiencing was a loss of influence on the top military advisers to Prime Minister P.W. Botha, who is no relation.

In an interview in his Cape Town office, the foreign minister seemed eager to dispel the idea that he had gone into eclipse. But, for the first time, he also acknowledged that the idea of retirement had more than crossed his mind. What was ailing him, he said, was not any loss of Ir., Democrat of Georgia, that influence on the generals but the would require the administration wayward course of racial reform in South Africa.

"I must admit that I decided at one stage to leave," he said. The decision was prompted by one in a series of efforts to paper over the differences between the extreme right wing of the governing National Party and those who saw a need for change

Years before, it had been Pik Botha who, in his salad days as his country's delegate to the United Nations, had promised that South Africa would move away from what he calls, in a phrase that others find studded with verbal escape hatches, "hurtful and negative forms of discrimination based on

notably Andries P. Treurnicht, the right-wing leader — had no inten-

tion of moving at all.

"I decided that I would be dishonest with myself if I sat much longer in the cabinet with people with those views," he said, adding that he told his wife that he would announce his decision to quit after getting his ministry's budget passed in Parliament in the 1982 session. A few weeks before the appointed moment, the governing party split and Mr. Treumicht led his followers to the opposition side of the

That saved my career, so to say, in a quite dramatic way," said the foreign minister, who is 51 years

The white electorate is now being wooed in a bitterly fought campaign to ratify a new constitution that would give two nonwhite minorities — "coloreds," as people of mixed race are known here, and Indians —a limited role in national vernment for the first time in South Africa's history, And Mr. Botha, still the biggest crowd puller the governing party has, is going forth to do battle again, assailing the right and left and warning wavering Afrikaners that their good name in the world depends on a decisive yes vote.

"The constitution is not perfect," he said. "I don't think it's wonder-ful. Neither is it the lesser of a number of evils. It is a true reflection of the realities existing today in this country, holding real promise for co-operation and under-

The inevitable question about the blacks, who account for 72 percent of the population, and their exclusion from the new structure started Mr. Botha on a new train of thought. He pointed out various features of the African scene that might escape the foreigner's eye.

It was an Africa full of ethnic conflict, festering factionalism, abuse of power and economic collapse. The West has been slow to recognize this reality, he said, but he understands it because he is in constant touch with African leaders who publicly accuse South Africa of being racist but then, when it

Paper in Tennessee to Close The Associated Press

MEMPHIS, Tennessee Memphis Press-Scimitar, the city's Scripps-Howard afternoon newscolor."

But then he began to feel that some of his fellow Nationalists — paper, will cease publication Oct.

31 after 102 years, it was announced Wednesday.



serves their purposes, privately seek its help. South Africa is ready to negoti-

ate with black countries more than the world imagines, he went on, but finding stable negotiating partners is a chronic problem.

In the interview, the minister interrupted his tour of the African scene to give his response to the question about South Africa's

It is a "distortion," he said, to say that blacks will be excluded from the new system. The new constitution might not mention them as it does the whites, "coloreds" and Indians, he conceded, but they are not excluded, he went on, because "they're included in a differ-

Fords to Have Tried and True Horns Again

DEARBORN, Michigan . Because of customer complaints, the Ford Motor Co. is moving the horn button on its automobiles from the end of the turn signal lever back to the steering wheel.

"It's where dealers tell us God intended the horn to be," said Lon Lataif, a Ford vice president, during a preview of new models Tuesday.

Ford and other domestic automakers had begun putting the horn button on the turn signal lever in the last two or three model years in response to European styling.

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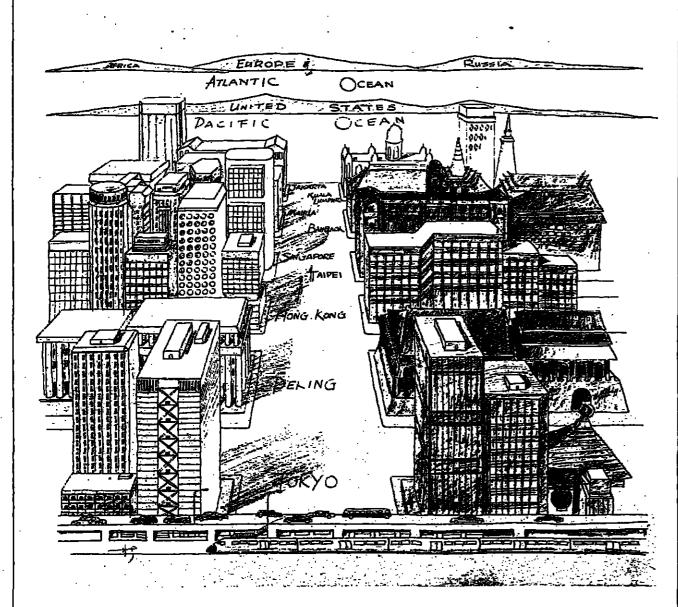
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"We have to adopt the best [from the Europeans]," Mr. La-tail said. "And stalk-mounted horn control was not one of the

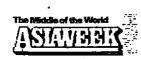


OUR TOWN

Asiaweek's "town" is like none other on earth. Look closely and you'll see every block in it is architecturally, culturally and ethnically unique. Every street has its own political, economic and racial flavour. Yet, there's a

commonality that binds our town together. It's the bond of being Asian. Of living and working in the most diversified, culturally tich and energetic region in the world.

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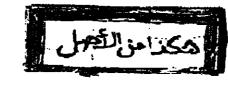
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Portugal Esc.	10,000	5.000	320
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Panel Accepts Open-Air **Gene Testing**

Review Agency Opposes Proposal by 2d U.S. Firm

By Lee May

Las Angeles Times Service WASHINGTON - A contro versial plan to release gene-altered microbes into the environment has been tentatively approved by a National Institutes of Health committee, but the panel advised rejection of another such experiment, according to committee members.

The Recombinant DNA Advisory Committee met in a closed session Monday to consider the two experiments, which two companies have proposed. Several committee members said that Cetus Corp. of Madison, Wisconsin, was given tentative approval to test whether it could make plants more resistant to

"We agreed in principle, but requested them to make some clarifications," Robert E. Mitchell, a lawyer and committee member from Whittier, California, said in an in-

Massachusetts, for increasing the level of nitrogen available to alfalfa plants, was turned down. "We didn't feel they were ready to go into the open field," Mr. Mitchell said, adding that the committee called for more greenhouse testing

John F. Marsden, Biotechnica's vice president of marketing, said, "We'd always planned to do green-house testing, but we didn't think it was necessary" at the current stage of research. He added that the rejection Monday "does not diminish our enthusiasm for our program."

The committee has no legal power over companies' experiments, but the companies usually seek committee approval voluntarily in order to head off public criticism and the threat of lawsuits. Officials of the National Institutes of Health are expected to announce their decisions on the two proposed experiments within six weeks.

Such experiments have generated intense debate. On Monday, Jeremy Rifkin, an opponent of the experiments, tried unsuccessfully to obtain a court order to open the committee meeting to the public.

Last week, Mr. Rifkin, another individual and three environmental groups filed suit in federal district court in Washington against the National Institutes of Health, seeking to stop a California experiment that the DNA committee had approved. That experiment would release into the environment geneengineered microbes designed to help plants block the formation of frost on their surfaces.

The suit charged that the committee did not have sufficient ex-CE 155 CEC Rifkin called the experiment "ecological roulette," saying that the effects on the environment were unknowil

Partially in response to such charges, the committee decided Monday to give more consideration to moral and ethical concerns when making recommendations.

Mr. Mitchell proposed that clergymen, philosophers or ethicists be appointed to the panel as openings

And on Tuesday, he said that the committee had agreed and that at least one ethicist will be among the six new members nominated to the Department of Health and Human Services for committee appoint-



A bronze equestrian statue of Franco, which had stood in Valencia since 1964, was pulled down and removed Sept. 9 by city workers, who were masked to avoid rightist reprisals.

An Echo of Franco Troubles Spain However, a proposal by Riotechnica International of Cambridge,

By John Damton

MADRID - "Franco Falls in Valencia After 12 Hours of Fighting" screamed the front-page headline in a Madrid newspaper recently. It was eye catching, and only a

After years of hesitation and waffling the municipal authorities of Valencia finally decided to do what they had promised four years ago: remove a bronze equestrian statue of Generalissimo Francisco Franco that had stood atop a towering stone pedestal in the central plaza since 1964.

The mayor of Valencia is a Socialist, but rightist breezes can still stir the coastal city. So the operation was carried out in the dead of

It turned into a symphony of errors with an ominous score.

A mobile crane was sent to the scene at 4:30 on the morning of Sept. 9, its license plate taped over to thwart identification. But it was not able to hoist the 900-pound (409-kilogram) statue. As workers sweated and grunted, attaching cables and bringing in a second crane and then a third, a crowd gathered, some to cheer, others to jeer.

flowers, then flags, then mega-phones. A young man scaled the statue, banner in hand. He disconnected the cables and led a chorus of "Cara al Sol," the fascist hymn. The national police, often used

clothed democracy.

where to look for them. They are

treated cautiously for the most

part, like photographs taken down

has been changed to "Castellano,"

and José Antonio Primo de Rive-

co in an out-of-the-way square in

the capital. The guide will not point

it out, but a portrait of Franco,

astride a horse in 19th-century mil-

itary plumage, still hangs in a room in the Royal Palace.

There is still a Fundación Na-

cional Francisco Franco, a founda-

tion for good works, although

someone has gone around with a spray can to blacken his name off

all the signposts.

And there are still groups of

young men and women - the men

with a distinctive hairstyle shorn of

sideburns — who gather on the

anniversaries in blue shirts to shout

slogans and give straight-arm sa-

The 16th-century El Pardo pal-

ace where Franco lived for four

decades has been converted to a

combination museum and guest

lutes to the fascist banner.

without changing a comma.

The most spectacular monument of all is the Valley of the Fallen, a

darrama to the civil war dead. They

are entombed in a subterranear

marble crypt the length of three American football fields, under a

as a gash in the mountain range

from the outskirts of Madrid, 36

Franco himself is buried there in

megalomaniacal splendor, along with José Antonio Primo de Rive-

ra, the founder of the Falangist

That fact alone - plus the mem-

miles (58 kilometers) away.

"Avenida del Generalissimo

But there is still a statue of Fran-

in Franco's time to put down disorders from the left, stood by passive-The statue was not brought years after a bad marriage.

down until late in the afternoon. By that time, a volunteer squad of 12 workmen, who wore white ski and "José Antonio Primo omasks to hide their identities, had ra" is back to "Gran Via." been pelted with stones, and so in a moment of triumph they raised their hands in victory salutes. The statue broke in two and was

put inside a sand truck.

To vent its anger, the crowd at-tacked City Hall, breaking a few windows and overturning a car. The crowd was dispersed by the police, who fired rubber bullets.

Anywhere else, the incident might have been insignificant, even funny. But in a Spain that is still confused over how to deal with the memory of its former dictator and still jittery over his appeal to conservative forces rooted in the army, the church and the banks, it was not at all a laughing matter.

Francoism is dead — some say it

began to die even before Franco Rightists brought bouquets of breathed his last on Nov. 20, 1975.

house for state visitors. González Is Backed for Military Stand Fidel Castro, if he visits next year, can sit behind the huge wood-But Is Criticized on Economic Issues en desk where Franco signed his decrees and dine in the room nearby where his cabinet read them

lipe González was supported ers of smaller opposition parties.

Wednesday for his firm stand

Santiago Carrillo, the Commuagainst military meddling in pohtics but was criticized for sidestepping major issues in a parliamentary debate on Tuesday.

Adolfo Snárez, a former prime minister, and two influential newspapers, El Pais and Diario 16, said Mr. González's assertion that the armed forces had no role to play in politics in Spain was important and

However, Manuel Fraga, the op-position leader, said Mr. González was misguided in his optimistic as-

sessment of the economy and ambiguous in his foreign policy.

Other critics accused the prime minister of failing to mention either the nationalization of the huge private company Rumasa or cur-

The two-day debate continued MADRID - Prime Minister Fe Wednesday with speeches by lead-

Santiago Carrillo, the Communist leader, said after listening to Mr. González's speech that he was more convinced than ever that the Socialists would back out of their commitment to hold a referendum on continuing Spanish membership in the North Atlantic Treaty Orga-

Mr. González said his government was not going to be rushed into setting a date for the vote. Opinion polls indicate that a majority of Spaniards would vote to quit the alliance.

Mr. Fraga, who said the Socialists' foreign policy was erratic, warned that leaving NATO would prejudice a program to modernize the armed forces. He charged that crime and terrorism were rising.

Democrats Seek to Curb | Hottest August on Record Sale of Nuclear Material

WASHINGTON -- Key Democrats in the House of Representatives have begun a campaign to tighten international sales of nucle-

India, Argentina and South Africa were singled out by the congressmen as U.S. nuclear customers that posed "a serious proliferation risk." The lawmakers testified Tuesday before a subcommittee of the House Foreign Affairs Com-

"As the number of nuclear nations grows, it is inevitable that at some point nuclear weapons will be used in circumstances which might now seem implausible," said Representative Morris K. Udall of Arizona, chairman of the House Interior Committee.

probably have 25, and they're not all going to be nice little English ladies speaking the English lan-guage like Mrs. Thatcher or the French or some of our trusted allies." Mr. Udall said. "They're likely to be unstable governments, governments with a revolutionary twist who will be out to do more than just make threats about nuclear

Mr. Udall was joined before the committee by Representatives Howard E Wolpe of Michigan and Edward I Markey of Massachus — A Navy A-6E Intruder aircraft But from time to time the ghost of "El Caudillo" rises up to walk the land, rattling chains at its newly setts, leader of the nuclear-freeze The physical symbols of his rule movement in the House. can still be found, if one knows

The three congressmen received

leagues on the panel for legislation to strengthen the Nuclear Nonprothe United States from exporting nuclear material to countries that refuse to agree to open their power plants to international inspection.

Mr. Wolpe said the tightening was needed because President Ronald Reagan's administration appeared intent on continuing to promote nuclear exports to risky countries. He noted that in recent months the administration had approved plans to supply nuclear ma-

terial to India and Argentina Mr. Markey and Mr. Udall said Washington should pressure its allies to curb sales.

The United States should agree with the French, West Germans, Swiss, Belgians and others that all "In the next 15 or 20 years we're had failed to live up to standards

penalties "in terms of our commercial relations, our diplomatic rela-tions, other relations," Mr. Markey said. "If we exercised that clout, then we could have some results."

U.S. Missile Fired by Mistake

Edward J. Markey of Massachu- inadvertently launched an unarmed laser-guided Skipper missile Tuesday over an isolated area of the Mojave Desert. A spokesman broad support from their col-

Giving Way to Fall in U.S.

WASHINGTON - Last month was the hottest August on record in the United States, according to the National Weather Service. In fact, it was probably the hottest of this century, though complete records date back only to 1931.

The average temperature for August was more than 2.2 degrees centigrade (4 degrees Fahrenheit) above normal in more than half the country. Temperatures were especially high in the East and

The combination of heat and drought was most severe in the central Mississippi valley in an area extending from Kansas and Nebraska eastward into Indiana and Kentucky, and in a belt along the East Coast from the Carolinas to New Jersey," the weather service said. Fayetteville, North Carolina, and Grand Island, Nebraska, had all-time highs of 43 degrees centigrade (110

Although the temperature has been hitting 13 degrees centigrade (90 Fahrenheit) again this week in the East, the picture is changing, the weather service said. There is currently cool weather in much of the country and early snow in the Rockies.

not going to have six or seven nations with nuclear weapons, we'll and that they should make a new beginning, Mr. Markey said. The United States should threaten the other supplier countries with Exposure to Toxins in Workplaces

WASHINGTON - The Occupational Safety and Health Administration is considering dropping efforts to set workplace exposure standards for 116 potentially hazardous substances.

The agency has has been working on the project for years. More than a dozen of the substances are known to cause cancer in laboratory animals. It would leave only six substances against which the agency is proceeding actively.

An internal task force told R.

Leonard Vance, director of the agency's health-standards programs, that, as a practical matter, agency efforts to set on-the-job standards for most substances already had been suspended because of manpower shortages, controver-sy, litigation "and other reasons."

By officially deleting them from its workload now, the task force said, the agency "would notify the regulated industries that OSHA has no intention of moving on these chemicals, relieving them of any anxieties about possible impacts on their markets or production."

The energy crisis has made the lowering of automobile fuel consumption a major objective. One of the first steps is to reduce an automobile's weight. That's why Rhône-Poulenc has developed high performance materials

lighter in weight, but robust in performance.

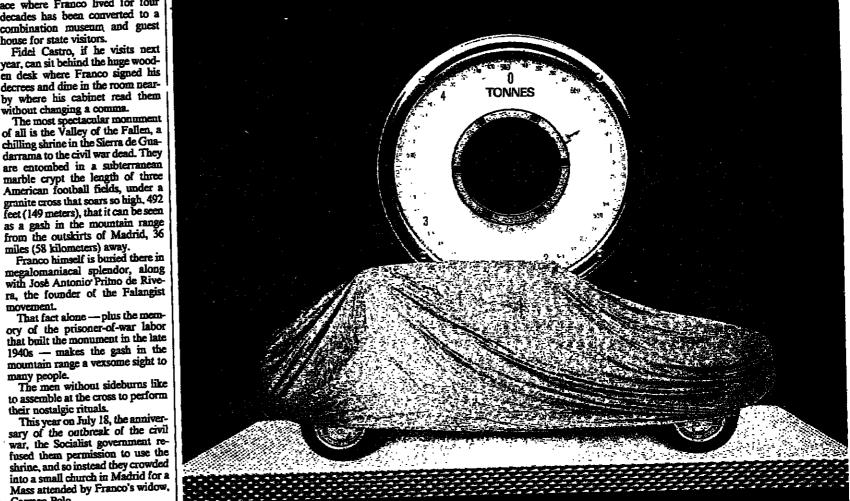
One of these materials, Technyl polyamides, is currently employed by Renault, Peugeot S.A., and other automobile makers in radiators, gear her cape and other parts of the outomobile.

box caps, and other parts of the automobile. Another Rhône-Poulenc composite used in jet engines, Kinel polyimides, is resistant to temperatures as high as 250°C. Applications in automobiles include piston skirts, synchronizing rings, vacuum pump vanes. Kinel and Technyl are just two examples of Rhône-Pouienc's research for an energy-conscious world.

Chemical research in high performance polymers is only one of Rhône-Poulenc's many activities. In more than 90 countries, Rhône-Poulenc is finding today the answers to tomorrow's needs; not only in energy saving, but in medicine, crop protection and communications



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Rhône-Poulenc helps make automobiles lose their appetite by making them lose weight.

By developing lightweight, high performance materials (polyamides and polyimides), Rhône-Poulenc helps the automotive industry reduce energy needs.

Manufacturer Checks Jets' Life Rafts

By David Bird

New York Times Service NEW YORK - The manufacturer of emergency life rafts used on some Boeing 747 airplanes is trying to determine whether the excessive leakage found by United Air Lines was a problem with all of its life rafts or just the ones sold to

Foster Smith, a spokesman for the manufacturer, the B.F. Goodrich Co. of Akron, Ohio, said Monday that the same type of raft was ated by about half a dozen foreign airlines." He said the rafts, and each raft is designed to being used on "60 to 70 747s operforeign carriers had been notified of the problem, but had not replied.

14 after routine inspection found only U.S. that some of the rafts exceeded the maximum leak rate set by the manufacturer. That rate specifies a loss of no more than one-tenth of a pound of air pressure in the first

Rafts on eight of the United 747s have been certified as safe and the planes have been returned to routes er water, a spokeswoman said Monday. The rest of the planes will be returned to service over water as tests and repairs on the rafts are completed, she said.

hold 60 people.

Mr. Smith, who is Goodrich's United Air Lines suspended all vice president for corporate comflights over water by its 747s Sept. munications, said United was the

tion of scalant

scribed the leaks as very small.

He said the rafts, which were first sold two years ago, were a "new generation" product that Mass attended by Franco's widow, combined the rafts and the escape Carmen Polo. chute from the plane in one pack-

tain what had caused the leaks, which were found in the fabric wrapped around the air bottles had been repaired by the applica-

ing with B.F. Goodrich to solve the problem," she said.

shrine, and so instead they crowded into a small church in Madrid for a In Valencia, the army's captain

their nostalgic rituals.

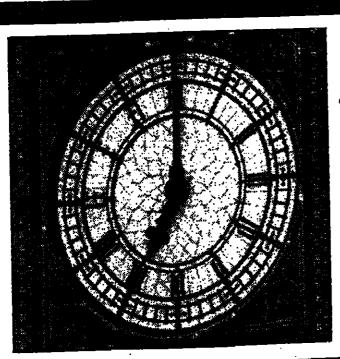
general of the region made clear his displeasure at the way the statue Mr. Smith said it was still uncerwas handled. The mayor, Ricard Perez Casado, agreed to have it reassembled used for inflation. He said the leaks and someday placed in a museum of military history. A statue of Si-mon Bolivar was destroyed by

Kay Lund, United's director of corporate communications, de-"Basically we still have confi-dence in the rafts and we're work-

Franco's empty pedestal, surrounded by flags and posters, was marked with the words, "Caudillo, we will avenge you!"

On the weekend, the authorities destroyed the pedestal.

rightist vandals in retaliation, and



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At Souk el-Gharb

A high stack of American chips rests on the outcome of the battle at Souk el-Gharb, the mountain town south of Beirut where the Lebanese army is making a stand against Druze and Palestinian units backed by Syria.

On Monday the United States broke through to a new level of commitment and risk by using American warships to come to the direct support not of the U.S. Marines but of the embattled Lebanese army. Will the new show of force keep that army fighting, give pause to the hostile militias and their Syrian onsors, and bring an early cease-fire? Or will sponsors, and oring an early cook in the Lebanese army, the government of Amin Gemayel and the American position in Lebanon, in that order, collapse?

We will not attempt to predict the outcome.

which could come at any moment. But it is worth observing that the single reason the outcome has remained unclear for so long is that the much abused Lebanese army remains in the field. The army has turned out to be neither the corrupt tool of the right-wing Christian Phalange, as some expected, nor the ineffective reflection of the country's internal strife, as others had thought. It is ethnically diverse, increasingly professional and demonstrably prepared to take casualties in the service of the duly elected (by all communities) president. If it does not prevail at Souk el-Gharb, the fault will not be its own.

It is asked whether America can "prop up" a government if that government cannot get the support of its own people, and the answer is obviously no. However, the army and the government are working, albeit imperfect, Lebanese national institutions. The problem is not so much that they are factional as that they are weak. Thus, the purpose of the support being rendered by the multinational force is to expand the existing narrow core of national sentiment and cobesion. But this prospect will be cut off if a cease-fire cannot be arranged soon and the focus switched to Amin Gemayel's promised new discussions on reapportioning Lebanese political power and rewards.

The passions separating the Lebanese com-munities are awesome. But the real issue is likely to be whether Syria now sees it in its interest to move to a political phase. It is difficult for the United States to say all of this, but it is true: The Syrians have effectively destroyed the American-sponsored Israeli-Lebanese agreement. They are forcing a redrawing of the political map in Lebanon. Rebounding from their disgrace of a year ago, they are recognized everywhere as a power in the region. The question is whether Syria will press its advantage and leave Lebanon without even a shred of hope to creep from the ruins. The answer will come at Souk el-Gharb.

- THE WASHINGTON POST.

Anger Is Not a Policy

and in the right way - that is not easy.

--- Aristotle

What is the right degree and purpose of anger at the Soviet Union? Public rage is not an everyday political passion, and from the president down, Americans seem uncertain about how to express it, for how long, to what effect. The administration has been moving from dignified, justified anger toward political opportunism. Thus inspired, the governors of New York and New Jersey pretend that American mobs endanger the Soviet foreign minister, and hand him a pretext for not coming to be censured at the United Nations. And a piously careless American spokesman at the UN says that if other nations object to such harassment, why, let them take their world organization somewhere else. As Ben Franklin warned in "Poor Richard's Almanack," what

is begun in anger ends in shame. Yet angry Americans are, and justifiably so. The murder of 269 air travelers was unsettling enough. The Soviet government's long hesita-tion before even admitting the deed com-

pounded its irresponsibility.

The crude campaign to shift the blame, as if any provocation could justify such murder, is more enraging still. By what perverse values would even a guiltless perpetrator shout such defiance at the aggrieved? Even if the Soviet

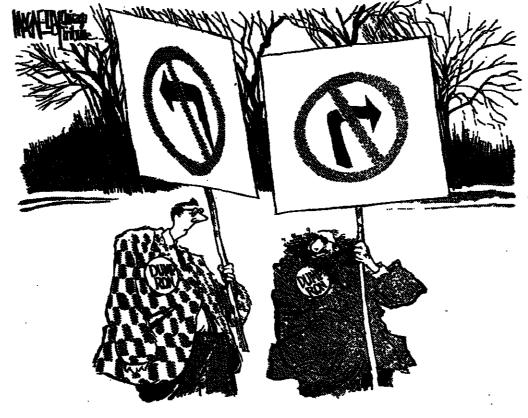
Anyone can become angry — that is easy; but to be angry with the right person, to the right degree, at the right time, for the right purpose There is no end of theories about how the Soviet psyche and bureaucracy habitually turn fear, shame and guilt into aggression. But it doesn't much matter, finally, whether such conduct is evil or sick or stupid. Our first, and mutual, problem in the nuclear age is survival. Mr. Reagan has been at his best when he rejected retaliations that would hurt Americans more than Moscow, calling instead for international efforts to make the skies safer. This affair should not be closed, or forgotten, until

Moscow joins in the necessary guarantees. The president has been at his worst when milking this episode for support of the first-strike-only MX missile, the kind of weapon that will only increase the temptation of either superpower to shoot first in a crisis.

The Soviet Union's incapacity for remorse cannot be cared with revenge. The anger of individual Americans cannot shape the national defense. Anger is not a policy, not in the nuclear era. Hostile Soviet actions need to be met with measured counteractions. The threat of Soviet power has to be deterred with commensurate power deployed in ways that encourage arms control and ensuare us all in a civilizing diplomacy.

If that is what the president believes, it is his job to say so and to tell Americans how to turn passion and anxiety toward the problem of

deterring attack and preserving peace. - THE NEW YORK TIMES.



Left, Right: Americans Line Up for the Fight

By David S. Broder

WASHINGTON — Almost as to mobilize public opinion on bedrock economic issues and thereby by a ballet master, the United States is being positioned for a classic left-right political battle in 1984.

Much of the credit, or blame, goes to President Reagan, whose conomic policies have polarized the electorate on sharply drawn class lines and have politicized previously passive constituencies into praise or protest of his actions.

But the movement has spread well beyond the White House and Washington It is being taken up and amplified at the community level by new organizations which flourish in the sharply exched ideo-logical fissures of this time.

Last week I interviewed two men who personify the emerging pat-tern: Lewis E. Lehrman of Critizens for America and Robert M. Brandon of the Citizen-Labor Energy

Where is our arms control tong war leading?"

asked Representative Aspin. The need for a two-

thirds Senate vote to ratify any treaty means it

bipartisan approach to arms control must grow.

he said, "or we can forget about arms control."

Representative Albert Gore of Tennessee has

pointed out that the division on the MX is in

fragile balance. He is prepared to vote for the missile, and would bring doubters with him, on

grounds that it may be needed to promote gradual reduction of both Soviet and U.S. arsenals.

of surprise attack. But Representative Gore is

willing to go along only in the context of a serious

proposal that would cut warheads on both sides

It makes good sense. It is better than a freeze

because, in Representative Aspin's words, it

would "harness the natural bureaucratic drive to

replace aging weapons" to the goal of reductions.

If the president of the United States cannot

The New York Times.

by nearly half in 12 years.

of the nation and the world.

policies of the Reagan administration through local forums and news Coalition. They agree on almost nothing except that the time is right channels, the Lehrman group intends to have its network of letterwriting, debate-seeking activists ready in every congressional district

within the next few weeks. What is striking about the conversations of the two ideologically opposed organizers is a shared be-lief that the public is ready to join in the kind of no-holds-barred struggle

decisive political advantage in a

new era of governmental policy.

Mr. Brandon and his allies in the

coalition of labor, senior citizen and

community organizations are build-

ing a reputation for door-to-door

canvassing and grass-roots lobby-ing against Reagan administration efforts to decontrol the price of nat-

ural gas. Mr. Lehrman was in Wash-

ington to announce that he is well

on his way toward fleshing out the

organizational structure and assur-

ing the \$1.5-million budget for his

grass-roots conservative lobby, launched recently with the encouragement of President Reagan.

With the avowed aim of selling

the economic and national security

United States, in congressional testimony and in the press. Such a charge can hardly impress Moscow that any agreement it might make with the United States will reliably be put into effect. for which they both yearn.

Mr. Brandon's eyes gleam with pleasure when he tells how 1,500 senior citizens in Milwankee badgered Senator Robert Kasten, a Republican, into pledging his opposi-tion to decontrol. Mr. Lehrman's will not go through without conservative support, and conservatives cannot establish any consistent policy without liberal support. "Support for a eyes have the same gleam when he says the business and professional people he is recruiting will form "a grass-roots community lobby in ev-

ery congressional district." What all this suggests to me is that we are emerging from the era of anathy that enveloped American politics from the Vietnam war period until well after Watergate.

It is not that the MX is a "bargaining chip," but that it might help keep things steady while both sides build smaller missiles with less threat Some of this reflects the hard economic times of severe inflation and high unemployment. Some is a natural reaction to all the stories arms control program, as recommended by the Scowcroft commission. He has made a detailed about special-interest influence in Washington. Some surely reflects the wisdom that supporters and critics of Mr. Reagan have gained from seeing in the last three years that an election really can change the direction of government policy.

There are those who will fret about the polarization of politics reflected by the emergence of the Brandon and Lehrman groups, but I'll take a good political fight over apathy and cynicism any day.

The Washington Post.

Arms Control Takes Domestic Consensus

PARIS — The aftermath of the destroyed Korean airliner exploded the gathering pressure from ultraconservatives on President Rea-

gan to veer harder to the right. He has resisted so far. No doubt this was partly due to a realistic assessment of what America could do and still maintain support from friends and allies, and of the point at which unilateral sanctions would boomerang with charges of U.S. intransigence and irresponsibility.

No doubt it was also due to the political calendar. Elections are more than a year away but attitudes are polarizing. The peace issue is going to be critical. There is more question now as to whether White House hopes for a Soviet-American summit meeting next spring can materialize. And there are ominous shadows of looming crises, in the Middle East and Central America. That means there is only a little time left to build consensus on the most vital elements of foreign policy. It is clearly in Mr. Reagan's political interest to achieve enough bipartisanship to defuse these issues.

It is also certainly in the American national interest, which goes on regardless of elections. The nuclear debate, even among those informed of details, has reached new tension. This is because of coming deadlines for some extreme-

ly important long-term decisions.

They include buying the MX, which by a great leap of logic Mr. Reagan found still more necessary because the Soviets shot down the airliner with an ordinary missile; negotiating in Geneva on strategic missiles and Euromissiles; proceeding with an anti-satellite weapon or accepting a Soviet offer to negotiate a ban on space war. Representative Les Aspin of Wisconsin re-

W ASHINGTON — As the 1983 Agenda of the Overseas Development Council points out, the Unit-

ed States, a superpower, is now com-peting with Italy for the dubious

honor of being the least generous of all Western countries in the provision

In the worst crisis since the Great

Depression, the United States is in-

sisting that the World Rank drastical-

ly cut back on its low-interest loans to

the poorest countries. Pledges from

richer countries for these loans will

fall from a three-year total of \$12 billion to \$9.5 billion; the shares of

the two largest recipients. China and

India, are being squeezed to less than

India alone used to receive. And the

future for additional resources in the

These low-interest funds have been

vital to countries that are unable to

compete for commercial funds with

the wealthier developing countries. World Bank loans, like IMF loans, also constitute a seal of approval that

private banks often require before they provide commercial funds.

is more than 30 percent for America's allies.) In the last 10 years the United

is politically motivated, as opposed

to development oriented. The Near East, primarily because of aid to

Today only 19 percent of U.S. bilateral development aid is going to the low-income countries. (The figure

next pledging cycle looks bleak.

of aid to the developing countries.

By Flora Lewis

marked recently, "The key question in strategic arms control today is whether we can get beyond negotiating among ourselves so that we can begin to negotiate with the Soviet Union."

Albert Wohlstetter, the nuclear strategy guru

who rarely agrees with Representative Aspin and former Defense Secretary Robert McNamara, has made a similar point in an analysis of U.S. policy in Commentary magazine. Tracing contradictions in doctrine, he says official statements have often been designed for political combat within domestic bureaucracies rather than potential combat with the Soviets." He points out that when Mr. McNamara as secretary talked about needing capacity to destroy 20 to 25 percent of the Soviet people to assure deterrence, "he was thinking of deterring the Joint Chiefs of Staff from asking for higher budgets rather than the Soviets from attacking the U.S."

Nuclear strategy cannot be tested; differences of opinion are natural on so fateful an issue. But even experts are reaching a savage shrillness in the absence of an accepted basic policy. At an international meeting on nuclear war in

Sicily last month, Dixy Lee Ray, the former chairman of the Atomic Energy Commission, called Richard Garwin "a traitor." Mr. Garwin, an IBM scientist who has been a government weapons consultant for decades, is firmly in favor I maintaining the nuclear deterrent but wants find a policy that most Americans can support, the chance of getting anywhere with the Soviets Miss Ray's outburst came because Mr. Garwin is bleak. That can affect his fate and the fate of maintaining the nuclear deterrent but wants arms control and opposes the MX.

said the same things in front of Russian scientists that he has said publicly many times in the

The Third World Crisis: When American Leaders Fail to Lead

to the present reality — a Third Europe but a public relations failure World that ranges from major interthat sank like a stone in America. national powers like India or Brazil to specks on the globe like Grenada Indians and Mexicans on its own 40 percent of U.S. exports, that in continent. After all, until very recent- certain vital countries represents the achievement was never expected. ly the majority has benefited by enlates the past, and that may affect the

probably would not have been more humane as victors, and the sins of fathers should not be visited upon particularly the American policy community is likely to fail. The instinct is no longer politically relevant, except in the type of emergency that

front pages of American newspapers.
The indifferent U.S. reaction to the Brandt Commission report laying out the elements of a global bargain between North and South is proof of

It is not that every one of the report's 59 major proposals in the

States was the lack of interest. Yet the problem of what to do

IMF for partisan advantage, these leaders should be looking for ways to

neglect of many vulnerable regions. Development experts, including

renewed efforts to restore the tools of past policy - more aid, better trade and wiser experts. The World Bank's recent report on Africa shows what reasonable increases in aid, combined with reforms, can achieve. But

This is the third of three articles

Other Opinion

Beirut Viewed From America ... and From Fleet Street

The agreement between President Reagan and congressional leaders on a compromise from Israel's experience in the Chuf moun-War Powers resolution is a sensible interim tains. Israel, which precipitated the current solution. The 1,200 marines in Lebanon will crisis by withdrawing from the Chuf after a

The marines' losses have taken on added significance because of anxiety that events in Lebanon may get worse before they get better. Mr. Reagan understandably feared that if he allowed Congress to establish a veto over his actions, the Syrians and the Russians simply would play the waiting game and plan to outlast the marines.

Mr. Reagan may be underestimating the good sense of Congress and the public. There is a general recognition that the matines have embarked upon a difficult and important mission. It is clearly in the U.S. national interest and in the interest of peace to allow Lehanon a chance at political stability.

— The Boston Globe.

Having gambled that a peacekeeping force could be put in Beirut without being drawn into combat, President Reagan now faces a deteriorating situation. He is hostage to whatever escalation Syria and its arms supplier, the Soviet Union, may instigate.

- The Baltimore Sun.

What the Druze want is a sense of protection that is validated by a real portion of political power. Mr. Gemayel has dithered for a year. The last few weeks have shown how costly and perhaps even fatal that dithering has been. The year has given Syria time to deepen its influence in Lebanon.

- The Los Angeles Times.

- The Financial Times

contingents are in Lebanon by invitation of the government, which at the time of the invitation could claim to speak for the country. When insurrection takes over, the force becomes not a buffer but an arbiter. It is in the role of arbiter in Lebanon that the United States now finds it necessary to shell "rebel" positions. But none of the parties to the multi-— The Guardian.

The Russians would not simply walk into wretched country. They would not need to The Syrians, Russia's principal clients, would rule there instead, and the Soviet Union would have the Arab base it has sought for so long.

Western diplomacy must be directed at reconciling the Lebanese, but such diplomacy can only succeed if the multinational force is strong enough to counteract the external pres-

FROM OUR SEPT. 22 PAGES, 75 AND 50 YEARS AGO

1908: Brazil Worries Argentineans BUENOS AIRES - At La Plata a meeting in favor of an increase of armaments has been held under the auspices of students. Five thou-sand persons attended, including Senor Zeballos, formerly Foreign Minister, who had been specially invited. Senor Zeballos said that at a meeting of notables in 1906 to discuss matters of foreign policy, Senor Bernardo Irigoyen declared that during the twenty-five years in which he had had intercourse with Brazilian politicians he had never detected sentiments of loval friendship towards Argentina. Senor Zeballos recalled Brazil's pretensions to the Cha-co territory. He lamented that Brazil is two years ahead of Argentina in armaments, but hoped the Government would do its duty.

1933: Dictatorship Comes to Austria VIENNA — Austria awoke this morning [Sept. 21] to find itself endowed with a dictatorship. Acting on his speech last week when he virtually proclaimed a Fascist regime, Chancellor Engelbert Dollfuss late last might [Sept. 20] obtained the resignation of his cabinet, and in the course of the night he constructed another, freed from all parliamentary and party ties. The "Little Chancellor" is now responsible to nobody but the President of the Republic. Like Mussolini, he has concentrated practically the entire power in his own hands. He is chancellor, foreign minister, minister of defense, minister of the interior, minister of public safety and minister of agriculture. The army and police have passed under his control.

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Washington appears to have learned little no longer tolerate the cost to its armed forces of keeping the warring factions apart. The United States, with only a fraction of Israel's military hardware available on the ground, is now attempting to draw lines on a map which Jerusalem found impossible to sustain.

The American, French, British and Italian national force was invited there to arbitrate.

Lebanon if the West washed its hands of that

— The Sunday Telegraph. sures working in the opposite direction.

- The Times.

Egypt and Israel, now accounts for nearly half U.S. aid worldwide. But for the policy community in Washington — the administration,

Congress and the "think tanks" requests that America show more concern for the plight of the Third World have become simply annoying. Just as a physical structure may suffer from metal fatigue, official Washington suffers from policy fa-tigne with regard to the Third World. There are a number of explana-

One is the elite's loss of confidence between 1965 and 1975 that it underearlier hubris of Walt Rostow's "Stages of Economic Growth," in which development was detailed in an almost mechanical fashion, has disappeared. In the days of President Kennedy's Camelot, my Foreign Service Institute professor ordered me, a junior Foreign Service officer, to read that book. It was to be the blueprint we were going to follow to bring the world up to the economic

evel of Peoria, Illin Suddenly in the mid-1970s Americans who previously claimed to know everything about development de-clared that they knew nothing.

The announcement was, of course, premature. As nearly all development economists have pointed out, what-ever the mistakes of the 1950s and 1960s the developing countries as a group have achieved rates of growth anequaled in history. To be sure, credit for this success goes primarily to the people in those countries and not to the foreign donors. But when poor countries are desperate for cash, donations from richer countries certainly cannot hurt.

Other attitudes have also affected the American government's policy.

By Charles William Maynes

White Americans have never been entirely comfortable with the leaders of the Third World, in part because the United States toward the blacks, or Fiji; a Third World that soaks up

of the less-than-honorable history of slaving, defeating or stealing land from Third World citizens of the Western Hemisphere. It is now all history, the victims

sons or daughters. Nevertheless, history does leave scars and memories. Reflecting on this legacy, white Americans seem to have divided into two camps - conservatives who are callous in their sense of resentment and superiority toward the Third

World, and liberals who are cloving in their mood of meekness and guilt. global balance of power. Given the U.S. attitudes toward development and the Third World, any appeal to the humanitarian instinct of the American people and

puts faces of hungry children on the

Neither attitude is terribly relevant this. The report was a best-seller in

fields of finance, trade, agriculture and energy was sound. Such an

explain to the public the long-run political effects of current economic

mounting the current crisis. Proposals range from clever arrangements for redistributing the debt burden to What was disturbing in the United even a modest agenda cannot succeed

Economic distress brought politiabout political turmoil in the Third cal disaster to many regions of the World remains. One of the obliga- world in the 1930s. Yet then, at least, tions of an elite is occasionally to act Americans had the excuse that they like one. On the issue of develop- did not always understand the effects ment, the American people will not be ahead of their leaders. Instead of mous Smoot-Hawley tariff increases. mous Smoot-Hawley tariff increases, exploiting congressional votes in the or inflexibility in reducing the international debt burden resulting from World War I. In the 1980s, a decade in which we could see a new age of disorder, there is no such excuse.

officials in the Reagan administration, have their own agendas for suries editor of Foreign Policy magazine. from The Washington Post. The writer

An Experts' Case for Beefing Up the IMF and Issuing SDRs

NEW YORK — The debate in Washington surrounding the IMF funding bill is becoming in-States has nearly doubled to 41 per-cent the share of its aid program that creasingly unreal. Even if the 50-per-cent rise in quotas goes through against the wishes of the coalition of conservatives and liberals that are fighting it, it is already looking paltry and insufficient. The world liquidity crisis is so severe that the debate

badly needs to be cast afresh. If the IMF is to have the means to avert a frightful crisis in the inter-national banking system, it requires much greater financial resources than

are now being discussed.

In a make-believe world it is rational to argue that the banks have been profligate and that the Third World borrowers have muddled their eco-nomic priorities. That is true if one is writing history. But if one is dealing with contemporary political factors
— the stability of a number of major Third World countries and the vitality and strength of the banking system - past mistakes have to be accom-modated. The IMF can impose its conditions for more sober future growth only if it has the carrots to

make its stick-wielding acceptable.

The borrower-lender relationship is at present antagonistic. This is not good for developing countries, nor for the IMF. Even if the former have to cowtow to the IMF this time, they will go out of their way to try to make sure they do not have to again.

The reforms and reordered priorities that must come if the developing countries are to avoid the pitfalls and mistakes of the high-growth 1970s are not likely to come unless dispassignate outsiders like the IMF have some influence to counteract internal domestic pressures. But this influence has to be paid for. A brief written by a team of financial experts for this week's meeting of the Commonwealth ministers of fi-

quacy of the Fund's resources, even after the quota increase." The team of experts included Sir

nance in Trinidad observes, "There

By Jonathan Power

Jeremy Morse, chairman of Lloyds Bank, and I.G. Patel, former head of the Reserve Bank of India. It advocates more frequent quota reviews and urges the IMF to go into the market and use its standing to borrow money at cheaper rates than the developing countries can; then it can lend to desperate would-be borrowers at a lower-than-market rate.

A third suggestion, which in the long term is perhaps the most important, is for the IMF to increase its distribution of special drawing rights
—credit entered in the ledgers of the IMF on which countries can draw to obtain the foreign currencies they need to settle their payment deficits. In its early days the Reagan ad-ministration was dead set against the creation of more SDRs. Lately, some influential members of the administration have looked at them afresh. But the idea is still very much on the back burner, with attention and energy narrowly focused on the quota cussion instead A major new allocation of special

the Brandt commission, "provide a major impulse to recovery."

The main advantage of a new SDR issue, compared with quota increases or borrowing by the Fund, is that it is fast. Another is that it does not create

repayment obligations. This would cut down the debt burden. SDRs have the additional advantage, unlike other forms of credit, that they could be directed toward the poorest countries and the crisis

But SDRs possess a higher virtue than just meeting the needs of the current crisis. The more steps are taken toward an SDR-based monetary system the better. As long as the world is dependent on the policies of a few reserve currency countries and the whims of the international capital markets, there can be no effective control of the aggregate drawing rights would, in the words of

volume of world liquidity.
In the 1970s the problem was too many dollars; today the problem is too few. Only when SDRs form a significant proportion of world re-serves will the international community, through the IMF, have the chance, by reserve creation or destruction, to influence world reserve growth so that the need to expand the global economy can be met without the risk of high inflation.

International Herald Tribune

areas in the world monetary system. LETTERS TO THE EDITOR

Justice on the West Bank In response to "Israel and the West Bank" (Letters, Sept. 17) from Nissim

After the letter from Mr. Taitou, of the Embassy of Israel in Paris, discussing the treatment of West Bank Palestinians, and especially the legal system imposed upon them, your readers may be interested by the following comment by Gad Lior, which appeared last June 30 in. Yedioth Aharonoth, the largestcirculation daily in Tel Aviv:
"As a result of lack of normal investigative procedures and short-

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address. Brief letters receive priority, and letters may be abridged. We cannot acknowledge all letters, but we value the views of the readers who submit them.

age of staff, certain complaints sub-mitted to the police in Judea and Samaria aginst Jews in 1981 and 1982 were either not followed up or only investigated in a perfunctory manner. This emerges from the confidential report of the Karp Commission of Inquiry which investigated complaints against Jews in the occupied territories, details of which were made known to me yesterday.

The Karp report specifies in detail the investigative procedures in a number of cases where Arabs filed complaints ahainst Jews in Judea and Samaria. Most of the cases were brought to the attention of the Ministry of Justice by a group of fourteen jurists concerned by reports that the investigations had not been conducted properly.

"Difficulties also arose due to lack of cooperation from the Jewish population in Judea and Samaria. The responsible authorities lacked resources and manpower to conduct some of the investigations in a proper manner, like similar investigations

within the Green Line. In some cases no serious consideration at all was given to complaints filed by Arabs against Jews or concerning failure to follow up investigations." JACOBO TIMERMAN.

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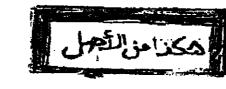
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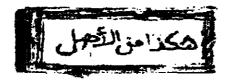
In the International Herald Tri-In the International Herald Tri-bume of Aug. 24, "Role of Jet's Com-puters Probed in Power Loss" sug-gests that computer control of a Boeing 767 almost caused a tragic crash. "World's Growing Depen-dence on Computers Raises Risks of Error and Sabotage" lists several failures new feilures and outside failures, near failures and outside manipulation of computers. Yet in "U.S. Military Debates New Kind of Arms," the defense secretary, the NATO commander and other hightech proponents advocate a computerized weapons system for the United

States. Whose side are they on?

AL HIX. London.







1mericans the Fight

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SCIENCE

Despite Heat, Earth Said to Be in Icy Age

By Walter Sullivan New York Times Service

NEW YORK — Despite the long hot summer, scientists insist that the Earth is currently going through what they say, comparatively speaking, is an Icehouse Age. Increased fuel burning, however, is supplying enough carbon dioxide to tilt the climate slightly back again toward the hotter extremes

that existed millions of years ago. The theory would help explain why, as proposed last week, many of the larger plants and animal evolved near the North Pole. The concept, advanced this month by scoarate authors in the iournal Nature and in the American Journal of Science, sees long-term changes in carbon dioxide content of the atmosphere as the critical element.

These, it is proposed, have produced prolonged periods dominated by a "greenhouse effect" of abnormal warmth, alternating with an "icehouse effect" in which the polar regions become frigid and ice ages are likely to occur. Currently, according to this hypothesis, the world is under the influence of an "icehouse effect," although increased fuel burning is adding enough carbon dioxide to the air to tilt the climate gradually toward the other extreme.

There is ample evidence that much of the world used to be hotter than it is now. So hot, in fact, that

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more than 50 million years ago the of the continents impeded its reland areas nearest the North Pole moval from the air by rock weathharbored sequoias, ancestral hors-

es, alligators and lemurs. Climate specialists are now arguing that the Earth was hot because there was far more carbon dioxide in the atmosphere than at present. The gas would have absorbed heat radiation that would otherwise have been reflected back into

Such a "greenhouse effect" could have warmed the climate on Earth as it has on Venus, where the atmore contains so much carbon dioxide that the planet's surface is at more than 800 degrees Fahrenheit — far hotter than a normal

Even though today carbon dioxide in the air is steadily increasing through combustion of coal, natural gas and petroleum products, it is far from the high levels postulated for some past epochs.

An explanation for its apparent abundance between 50 million and 150 million years ago, spelled out in the American Journal of Science, is that intense volcanic activity during the Cretaceous period belched great volumes of carbon dioxide into the atmosphere and flooding State University and Robert M.

ering

At that time the supercontinent Pangaca was breaking up into the continents of today, and new oceans such as the Atlantic were forming between them. The currently favored explanation for the high sea levels is submarine volcanic activity carrying the continents away from one another and raising the ocean floors.

It is proposed that volcanic activity greatly increased the atmosre's carbon dioxide in two ways: by spewing the gas directly into the atmosphere and by submerging large land areas. Carbon dioxide in the air combines with silicate rocks to produce such carbonate minerals as dolomite, but with extensive areas under water such removal of atmospheric carbon dioxide by weathering was greatly curtailed

These and other factors that have determined the carbon dioxide content of the air in geologic time are analyzed in the American Journal of Science by Drs. Robert A. Berner of Yale University, Antonio C. Lasaga of Pennsylvania

Odd New Shark Is Described

to be discovered.

Ichthyologists said that on Nov. 15, 1976, a U.S. Navy ship 25 miles off the Hawaiian island of Oahu hauled up a an adult male shark first scientists to examine it nicknamed it Megamouth because of its huge blubbery lips, covering 236

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tirely new species within a new AN FRANCISCO - Experts genus within a new family in the have discovered a strange shark order of Lammoid sharks. A report with huge blubbery lips but ineffec- on its discovery and lifestyle has tive teeth - which scientists say been published in the latest edition could mean there are many more of the Proceedings of the California huge beasts in the open sea waiting Academy of Sciences.

Scientists who dissected bits of skin, gills and teeth made a second discovery. Inside the shark's gut they found an undiscovered species nearly 15 feet long and weighing 1,653 pounds (751 kilograms). The which has also not the manifely many than the sales are the manifely many than the sales are the manifely manifely many than the sales are the manifely which has also got the parasitologists rewriting their books.

The new shark is described as a rows of small and ineffective teeth. filter-feeder, which means its teeth Now it is officially Megachasma don't bite or tear, but act like a oclagios and is classified as an en- sieve to trap food.

INTERNATIONAL POSITIONS

Garrels of the University of South

Evidence for periodic enhancement of carbon dioxide in this manner is presented in Nature by Dr. Philip A. Sandberg of the University of Illinois in Urbana. It focuses on changes in the crystal structure of tiny calcium carbonate spheres precipitated in the oceans during various epochs of Earth's

During periods of enhanced car-bon dioxide, according to the hypothesis, these spheres, or "ooids, were predominantly in the calcite form. At other times, including the present, they have been of the type known as aragonite.

The Precambrian Era, more than 600 million years ago, and the Permian Period, 250 million years ago, were, like the present, "aragoepochs. The long intervening periods were presumably carbon dioxide-dominated. They coincided with worldwide formation of granite structures probably associated with intense volcanic activity and continental flooding.

Dr. Berner noted in an interview last week that carbon dioxide enhancement of the atmosphere as an explanation for the warm Cretaceous climate has been supported by a computer simulation of global climate during that period by Dr. Eric Barron, at the National Center for Atmospheric Research in Boulder. Colorado. He was exploring the effects on climate of the radically different geography of the

As Dr. Barron explained, comter simulations of atmospheric behavior at that time yielded arctic temperatures 30 to 40 degrees Fahrenheit warmer than now. Yet the geologic record, he said, indicated temperatures 60 or 80 degrees higher. If, however, he increased the carbon dioxide content of the air in his computer model fourfold, the computer indicated a warming close to that reported by geologists. Equatorial temperatures, however, were not much higher than today.

increased atmospheric carbon dioxide caused by continental breakups is believed to have made the earth much warmer for long periods in the past. (Ages in millions of years) Geologic Timescale

Clues to Universe Sought in Meteorite's Crystals

CEHOUSE

By George Alexander Los Aneeles Times Service

Climatic Episodes

CEHOUSE

The Earth's Fluctuating Climate

OS ANGELES -- In a way, said John Armstrong, a California Institute of Technology geochemist. scientists who study meteorites are a lot like archaeologists.

They're looking for pottery that hasn't been smashed to dust, so they can tell something about what it looked like originally, what it was used for and so learn something about the culture that produced it. he said of the archaeologists. We're looking for crystals that are still largely intact so that we can tell something about what the early so-

lar system looked like." In the Allende meteorite that fell on northern Mexico in 1969, Mr. Armstrong and his 1,000 or so colleagues around the world have had their fondest hopes fulfilled - and then some. Allende's crystals have already fueled a large number of

Even today, 14 years after it crashed, there are still enough Alleade crystals — and they are

still unusual enough in their mineralogy, structure and chemistry to spur a new round of investiganons now under way into the earliest phases of the solar system.

Granite Formation

GREENHOUSE

As it has turned out, the Allende meteorite impacted more than the Earth. It plunged into modern science's consciousness at a time when a seminal theory about the formation of the solar system had just been advanced and an array of new instruments had been developed.

Now with some newer, more sophisticated instruments, different experimental approaches and a more positive spirit of cooperation, scientists at California Institute of Technology, the University of Chicago, the University of Houston and other research laboratories around the world are trying to answer some of the perplexing ques-tions their earlier studies of this

meteorite have raised.

Allende suggested, for example, that the solar nebula, that primordial cloud of gas and dust from which the sun and the planets eventually formed, had been hot stuff, literally: around 1,500 degrees or more Fahrenheit. This was, and continues to be, hard for astronomers and astrophysicists to accept because they don't see any other

clouds in the universe quite so hot. The evidence of the meteorite also indicated that an exploding star, either a nova or a supernova, had injected additional matter into the solar nebula and perhaps had been the disturbing force that caused the cloud to begin its collapse. Although experiments by scientists at the University of California, San Diego, have called this proposal into question, the meteoritic community is now reconsidering the original idea.

Raising of Crops In U.S. Dated at 7.000 Years Ago

United Press Internation WASHINGTON — Experi-ments on ancient squash seeds show agriculture in the east-

ern United States developed at least 7,000 years ago, about 2,500 years earlier than previously believed, according to researchers. Researchers at the University of Rochester, Northwestern University and the Center for American Archeology in Kampsville, Illinois, dated carbonized remains and seeds of cultivated squash plants from archaeological digs in Illinois using a new radio carbon dating

"For the eastern United States. that would be the earliest date for agriculture. It does date earlier in Mesoamerica [Central America] and elsewhere in the world, in the Near East particularly," said David Asch, an archaeological botanist with the Kampsville center. "The significance is a regional one."

The team said the experiments also confirmed corn was less important in early northeastern agriculture than originally thought. Squash and a weed known as marsh alder or sump weed, whose seeds can be ground like wheat, were

The researchers speculated the squash seeds were dropped close to a camp fire where the squash was being eaten. The seeds were charred by the fire, carbonizing them and preserving them.

Roach Extract May Aid Liver

The Associated Press TOKYO - An extract made from a variety of cockroach found in Japan and other parts of Asia may prevent cirrhosis of the liver, Japanese researchers report

Tetsuro Fujita, a pharmacology professor at Tokushima University in western Japan, said an extract from the Satsuma cockroach has been shown to prevent liver damage in laboratory mice.

Mice injected with the extract showed no sign of liver disorders 12 hours after receiving four injections of D-galactosamine, a substance that damages the liver, Professor Fujita said. But mice that had not been in-

ected with the extract and those injected with extract from other types of roaches had symptoms of an early stage of cirrhosis, he said. Hiroshi Kimura, a researcher at Earth Chemical Co. Inc., a major insecticide manufacturer in the city of Ako, west of Tokyo, said the company began researching the medical applications of cockroaches three years ago.

kind, called a "carbonaceous chondrite," and an unusually large size. Scientists estimate it may have so many theoretical models of the weighed as much as four tons when primordial cloud have assumed. it slammed into the upper atmosphere, because nearly three tons of it — in several thousand pieces have been picked up to date.

The meteorite fell in a very advantageous area, in the Chihnahnan desert near the village of Pueblito de Allende (hence its name), where the dark fragments stood out amidst the sand and sparse vegetation. It was also a region with so few people that no one was killed or injured by falling debris, yet with enough people to provide witnesses to its fall during the pre-dawn hours of Feb. 8, 1969.

On succeeding days, local people recovered thousands of fragments, ranging in weight from less than one ounce to more than 220 pounds (100 kilograms), many of which they sold to scientists and rock col-

.The scientists were amazed at their lack. The pieces were fresh, meaning they had not been contaminated by water or anything else. They were clean, big, obviously very old and, best of all, generously studded with both large and small crystals.

Crystals are the English gardens of matter: orderly, repetitive arrangements of atoms that take on a highly-structured form as they cool and solidify from a liquid or a gas. The various minerals that make up the crystals, the size and textures of their atomic framework, all reveal a great deal about the conditions uner which they formed.

Professor Edward M. Stolper, a California Institute of Technology geologist, is now trying to duplicate the patterns of Allende crystals by first melting and then cooling artiproperties of the true meteoritic fragments.

The work has been complicated by the fact that, like snowflakes,

Almost everything about Allende is exceptional. It is of a rare conclusion that scientists draw from all this is that the solar nebula was anything but homogeneous, as Still, Professor Stolper said, "We've learned several things al-

Source: P.A. Sandburg, Nature

GREENHOUSE

ready. One, many of these [crystals] have either been melted or partially melted at around the time of their formation. And, two, they cooled slowly." In a near-vacuum of the sort that

the solar nebula is generally thought to have been 4.5 billion years ago, a molten droplet would freeze solid in a few seconds. Professor Stolper's experiments show that some of the Allende minerals took hours or days to crystallize. This suggests, according to Pro-fessor Stolper and Professor Rob-

estima.

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ert N. Clayton, a University of Chicago geophysicist, that the hot Allende crystals had to have cooled off in an environment that was denser and hotter than most scientists would regard as likely. "This poses some bad problems

for geophysicists," Professor Clay-ton explained in a telephone interview, "because it requires a heat source extending out from the center of the proto-sun to approxi-mately where the asteroid belt is today to melt or partially melt these To solve this problem, two West

German researchers; Gregor Morfill and Heinrich Volk of the Max Planck Institute for Physics and Astrophysics, have proposed that instead of an extended sun that stretched to the asteroid belt, a compact region — perhaps less than 10 million miles across quickly developed at the center of the solar nebula. They theorize that gas and dust might have gathered there to generate temperatures around 1,500 degrees Fahrenheit.

Cloud motions would have been ficial compounds that have all the just turbulent enough to whip some mineral grains in close to this hot spot, melting or scorching them, before throwing them back out ain to the cooler stretches almost no two crystals in the Allen- nebula where they cooled.

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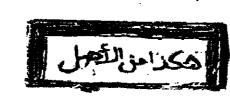
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BANKING AND FINANCE IN LATIN AMERICA

A SPECIAL REPORT

THURSDAY, SEPTEMBER 22, 1983

Brazil's Credibility Hurt by Its Failure To Meet IMF Terms

Mede the earth

BRASILIA - The failure of Brazil and its creditors to live up to the foreign debt refinancing plan agreed upon earlier this year has created a credibility problem for Brazil's new stabilization agreement with the

International Monetary Fund.

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The Fore の理解

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Finance Minister Ernane Galveas said that conditions, which resulted in Brazil's not complying with commitments to its creditors on reducing inflation and public deficits, have taken a turn for the better. External recovery with stable interest rates will boost Brazil's vital export sector. "Brazil is perhaps the only oil-importing developing country that is substantially improving its balance-of-payments structure; our current-account deficit next year will be \$6.5 billion, compared with \$15 billion in 1981," Mr. Galveas said in an interview.

As for inflation, reflected in a 157-percent price increase for the 12 months ending in August, Mr. Galveas said that removal of subsidies on petroleum products, wheat and sugar, cutbacks in public-enterprise investments and reduction of interest subsidies for farmers and exporters would assure an expansion of only 90 percent in the money supply this

"Inflation has reached unbearable levels and must be reduced rapidly," he said. "We will end next year with an annual rate of 60 percent."

These and other specific targets that will improve Brazil's ability to service a \$90-billion foreign debt — which includes \$15 billion in less than one year — are contained in the two year recovery plan presented to

the IMF in the third "letter of intent" negotiated this year. But the highly restrictive credit, monetary and fiscal targets contained in this plan, as well as the ambitious targets for trade surpluses and new foreign credits, are viewed with considerable skepticism in Brazilian political circles and are taken with reservations by foreign financial

attachés and bankers here. "Everyone knows that Brazil is not going to pay its debts. But the government pretends it does not know, and acts as if it intends to pay. Since everyone believes that the government knows it will not pay, this

increases the lack of confidence in the economic policy command," said Elio Gaspari, a widely read columnist in Jornal do Brasil. The least one can say is that Brazil's debt problem is going to be a chronic crisis, for many years; they will not declare a moratorium, but they will not pay any more than they can finance from new loans," said the financial attache of a West European embassy.

But doubts over the new two-year plan are not limited to skeptical journalists or foreign analysts. The unity of the economic team that has been running Brazil's policies under President João Baptista Figueiredo

since the debt crisis became acute has been broken Carlos Geraldo Langoni resigned as president of Brazil's central bank in early September, refusing to sign the "letter of intent" with the International Monetary Fund. He said the letter's restrictive monetary, credit and fiscal targets could not be met and would bring on "generalized misery for the Brazilian people."

Two earlier letters of intent with the IMF have been abandoned as Brazil was forced to devalue 30 percent and inflation soured, instead of settling this year at 80 percent. The IMF suspended disbursements to Brazil from a \$4.5 billion "extended facility loan" in June, with the public

deficit running at 15 percent of gross national product. For most in-country observers of Brazil's economic crisis, the question is whether President Figueiredo, who has solid military backing but only a fragile majority in Congress, has the political will to confront rising opposition to the economic leadership of Antônio Delfim Netto, head of

the Secretariat for Plan

Food riots have spread in recent weeks from the drought-stricken northeast region to the poor working-class suburbs of São Paulo and then Rio de Janeiro. Mobs have broken into supermarkets and neighborhood stores in search of food.

in the Brazilian Congress, the government is unlikely to obtain a required majority for a decree that broke the automatic indexation of wages to inflation and limited wage adjustments to 80 percent of the increase in the consumer price index for the previous six months. This

But the opposition also is unable to overturn this decision. However much criticism is leveled at the austerity plan, it probably will remain in effect as long as the Figueiredo government continues. The president's term ends in March 1985 and his successor will be chosen by an electoral

college in which the government parties have a majority. On the external front, the government can count on financial support because there is no other way that the holders of the \$90-billion debt can hope to get interest payments. There is a limit to how much pressure the

lenders can place on a debtor as large as Brazil. The IMF cutoff of disbursements from the "extended facility" produced a halt in disbursements from new loans by the international creditor banks, which had put up \$4.4 billion to help cover interest

As a result, Brazil stopped paying interest on the foreign debt after May, accumulated arrears of more than \$2 billion, and unilaterally postponed repayment of \$400 million on a bridging loan from the Bank for International Settlements until the IMF resumed disbursements.

Brazil has its own complaints about the performance of international private banks under a package agreement reached in February by which interbank lines of credit and commercial financing were to be fully restored after cutbacks early this year. By July, it became clear that Brazil's interbank credit had dropped \$3 billion, making short-term debt payments difficult.

The third "letter of intent" is an attempt to break the impasse over suspended disbursements and the undeclared moratorium. The key provision is that the public deficit, measured in cruzeiros and corrected for inflation, will be reduced from 6 percent of gross national product in 1982 to 2.7 percent this year and zero next year.

If this is acheived, cutting away subsidies, reducing public-enterprise spending and limiting monetary expansion, Mr. Galveas said inflation will be reduced to monthly rates of 5 percent in the last quarter of this year and 2.5 percent a month in the last quarter of next year.



Mexico: Drastic Measures Are Working

By William A. Onne Jr.

MEXICO CITY — His voice growing hourse and his graying temples flushed with a fine sweat President Miguel de la Madrid had nearly reached the end of his three-hour address on the state of the nation.

"I am aware that the crisis has not yet been overcome," he said, rising to an uncharacteristi-cally defiant pitch. "All that my government asserts is that its most grave and acute aspects

are under control." International bankers and many local economic experts concur emphatically with that assertion, even if most of Mr. de la Madrid's compatriots are more preoccupied with their declining purchasing power than they are im-

pressed with the reordering of Mexico's foreign But President de la Madrid could legitimately boast that he had managed to contain much of the damage of what Mexicans call simply "the crisis" - the liquidity and production collapse that last year sent the peso tumbling to a sixth of its former value and that continues to paralyze what had been one of the world's fastest grow-

ing economies Yet while Mexico's economy will probably shrink at a 4-percent rate this year, most economists believe that the two-year trend toward further deterioration has been halted and shight positive growth now appears possible next year. The keys to this achievement, they say, have been a realistic exchange rate, systematic spendreliance on foreign borrowing (which had led it creditors."

to build up debts of more than \$80 million). second-largest private creditor. That belief is ated \$20 billion of the government's most burbolstered by the realization, he said, that "the densome short-term debts.

banks will not have the same eagerness to lend

here again." Mr. Carral said Mr. de la Madrid had "changed the economic climate" by demonstrating that he is convinced Mexico must seek foreign capital from such sources as export earnings and direct investment.

An important factor, observers in Mexico say, has been the president's unexpected ability to limit the political repercussions of the government's strictly enforced austerity program.

Some local analysts warn that this budgetcutting and import-cutting approach, promoted by the International Monetary Fund, may have only postponed an inevitable economic reckoning. Eventually, they say, a new cycle of amortization outlays and economic contraction could dangerously undermine Mexico's political con-

But for now, the government enjoys surprisingly good relations with labor, which has borne the brunt of Mexico's economic burden this year. And the administration's relations with the business community are aided greatly by the private sector's unhappy memories of the coun-

try's previous government. After six years under the fiscal management of President José Lopez Portillo, as Mr. de la Madrid noted in his Sept. 1 address, the Mexican economy in late 1982 was "characterized by falling production, hyperinflation, soaring unemployment, foreign reserves depletion, an external debt of unprecedented magnitude and a ing cars, and a commitment to end Mexico's virtual suspension of payments to our foreign

By comparison, the current administration The government now believes that Mexico can claim in its first year to have slowed the tried to do too much too fast with international growth of inflation and the money supply, built credit," said José Carral, head of the Mexico up foreign reserves through the posting of a office of the Bank of America, the country's record trade surplus, and successfully renegoti-

"The De la Madrid administration has turned the financial picture around far faster than anyone thought they could," said a Western diplomat, expressing a common sentiment in Mexico City. "There is real confidence abroad

that Mexico is going to make it."

But restoring confidence at home will be Mr. de la Madrid's biggest challenge, the diplomat

A year ago, Mr. López Portillo shocked many Mexicans by announcing in his state of the nation speech that he had decreed the expropriation of the country's commercial banks. "They plundered us once," Mr. López Portillo shouted accusing the private bankers of fomenting capital flight, "but they won't return to plunder us

This year, striking a deliberate contrast, Mr. de la Madrid pointedly invited former bank executives to attend the annual presidential speech, where he discussed his administration's long and ardnous" effort to negotiate a "fair payment" to compensate for the nationalizations. Leftist opposition groups and powerful labor-aligned factions in Mexico's ruling party have opposed the indemnification plan, but Mr. de la Madrid has already begun re mbursing the banks' former stockholders with 10-year, inter-

est-bearing negotiable bonds. Not only critics on the left attacked the repay-ment plan, however. Some of the former bank owners angrily protested that the reimbursement bonds represented less than one-third of the true worth of their bank stocks. José Maria sagoiti, president of the Mexican Employers Confederation, complained that "someone who could have bought a Volkswagen with his stock will now only be able to afford a motorbike." He said the compensation formula "destroys all motivation to save and invest."

Other prominent business leaders, however (Continued on Page 11)

Debt Recovery: A Qualified Hope For a Continent

By William R. Cline

WASHINGTON - With \$300 billion in external debt, Latin America accounts for 40 percent of the total owed by developing and East European countries, and for more than half of their debt to private banks. Of the five largest debtors, four are Latin American: Brazil, Mexico,

Latin American debt grew rapidly in the last decade as oil price increases hit importing countries such as Brazil and Chile and spurred borrowing for oil development in Mexico, and as the global recession and high real interest rates in 1981-1982 depressed commodity prices and export volumes while raising the burden of servicing debt. Misguided exchange-rate policy and capital flight aggravated the problem in Mexico, Argentina, Venezuela and Chile.

Today's financial interdependence runs in both directions, and the health of Western banks depends heavily on several Latin American countries. For the nine largest U.S. banks, loans to Brazil account for 46 percent of capital, while Mexico accounts for 44 percent and Argentina 18 percent. If Brazil declared an extended moratorium, lost interest and reserve set-asides would wipe out half of the annual profits for these banks; the write-off of one year's principal and interest for just Argentina, Brazil and Mexico would exhaust not only profits but also one-third of capital for these banks, possibly forcing them to cut back \$150 billion

It is small wonder that, when Mexico suspended debt payments in August of last year, Western governments and banks responded promptly. Within months, rescue packages were assembled for major debtors, including Mexico, Brazil, Argentina, Chile and Peru. International measures for these five countries alone mobilized debt reschedulings of nearly \$50 billion in principal due, loans of \$13 billion from the Intern Monetary Fund and new foreign bank loans of \$13 billion.

Today, the central question is whether these efforts (and more like them) will be sufficient, or whether more radical measures such as substantial debt relief through long-term stretch-outs and significant interest forgiveness will be required (at potentially great pain and risk to banks and Western economies). Essentially the question is whether Latin American debtors are temporarily illiquid or fundamentally insolvent.

To answer this question, a computer-based model developed at the Institute for International Economics projects the balance of payments and debt for 19 major debtor countries individually through 1986. Past economic relationships are used to relate the amounts and prices of their exports to OECD growth. Their domestic growth rates affect imports, and their exchange rates affect both exports and imports. Their debt service depends on world interest rates, and oil trade depends on the price

The central findings are that the global debt problem should be manageable if OECD growth averages 2.5 percent to 3 percent in 1984-1986, not a sure bet but a good one based on past recovery experience. Export growth should reduce debt-to-export ratios to safer levels. Prospects are bleaker if interest rates surge again, although one percentage point on OECD growth is seven times as powerful as one percentage point on the interest rate in improving payments balances.

Although not designed for in-depth analysis of individual countries, the model provides specific projections for the major Latin American debtor countries. The results are heartening. External deficits should decline substantially by 1984-1985 in Brazil and Argentina, and the ratio of debt to exports should decline significantly for them as well as for Mexico and Chile. Among the large Latin American debtors, only Venezuela shows a significant rise in the relative burden of debt. I of stagnant oil prices. Thus, by 1986 the debt-to-exports ratio should have fallen from 380 percent to 200 percent in Brazil, 370 percent to 180 percent in Argentina, 270 percent to 230 percent in Mexico, and 300 percent to 260 percent in Chile, while potentially rising from 100 percent to 260 percent in Venezuela unless energetic measures are taken.

On the basis of statistical indicators associated with past and recent debt reschedulings, it may nonetheless take until 1985-1986 for Argenti-na, Brazil and Mexico to have restored creditworthiness sufficiently to approach capital markets on a more normal basis. Until then, however, private banks are likely to provide them with new "involuntary" lending, because of the calculation whereby moderate new loans safeguard large outstanding loans. Orchestrating new bank loans (especially by smaller, free rider" banks) will be important for this purpose, and the IMF's role in this process has been historically important in the last year as, for the first time, it threatened not to lend unless the banks did.

Sound OECD recovery and the avoidance of stratospheric interest rates and of extreme oil price shocks in either direction (because they affect Mexico and Venezuela in the opposite direction from Brazil and Chile) should permit an internationally managed recovery from today's severe debt problems. So far, progress in this direction has been substantial. Mexico has cut its foreign deficit from \$12 billion in 1981 to less than \$1 billion expected in 1983. Argentina, Mexico and Brazil are meeting the foreign-deficit targets in their IMF programs, although Argentina's inflation remains above 300 percent and Mexico will suffer severe

In a reversal of roles with Mexico a year ago, Brazil today causes the greatest worries. The technical strategy of counting on the restoration of interbank deposits failed badly, Also, Brazil failed to comply with IMP commitments on budget cuts, and as a result has drifted agonizingly without infusions of planned IMF and commercial bank loans for the last three months. Now a new IMF agreement is virtually in hand, but only after a government cap on wage indexing that may yet be vetoed by the Brazilian Congress, and only after escalation of domestic political criticism (in a context of three years of recession) to the point where the opposition party has called for a moratorium on both principal and interest over the next three years. Although the government-IMF plan is likely to prevail, and the additional bank lending needed for 1983-1984 is likely to be obtained, the downside political risk has grown considerably.

In contrast. Mexico's political system of embracing opposition to neutralize it seems once again to be working, and prosecution of corrupt officials from the previous administration provides a much needed sense of equity. In Argentina, both the Radical and Peronist parties have coherent and moderate (if non-orthodox) economic plans as they approach the Oct. 30 election (a contrast to Brazil, where the impossibility of immediate assumption of the responsibility of power gives additional license to the opposition to advocate moratorium). Political turmoil is more severe in Chile, where a decline of 14 percent in national production last year and high unemployment have aggravated opposition to President Augusto Pinochet; but the opposition is concentrated on a hoped-for return to democracy, not on calls for a debt moratorium.

Veneznela is unique. It need not have been a large debtor, given its oil surpluses of the 1970s, but mismanagement of state firms led to borrowing abroad even as foreign assets were accumulated by the state oil company. Then, when the bolivar became threatened by a weak oil market, severe capital flight in 1982 depleted the country's foreign assets before the government suspended free conversion to dollars. Now Venezuela limps along without an IMF agreement, and with grudging rollover of large short-term bank debt, until after the election in December, when politically unpopular austerity measures and an IMF adjustment program will be more feasible. Fortunately, Venezuela's net external debt remains moderate relative to exports, because of still-large reserves.

Overall, both the economics and the politics of Latin American debt suggest that the debt problem can be managed, although the severity of recession is such, with strongly negative growth rates, that there is a risk that the threshold of political tolerance will be exceeded.

Many fear that a Latin American debtors' cartel might emerge, calling for repudiation or indefinite moratorium on interest and principal. Such an outcome is unlikely. Even though the narrow calculation of interest outflow against capital inflow is now negative, any incentive to default is overwhelmed by the disadvantages: a cutoff from future borrowing private lawsuits such as those that seized Chile's copper exports after expropriation under the Allende government and, conceivably, foreign official sanctions. The major Latin American policymakers will think long before opting out of the Western financial world, especially if they judge that recovery is not far away. And the dynamic of credit-rating selfpreservation works against large-country participation in a debtors' cartel. Thus, this month's much-heralded Caracas conference on debt

(Continued on Following Page)

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Beyond Temporary Relief: Real Economic Growth Is Vital

By Pedro Pablo Kuczynski

NEW YORK - The toast is burning, or is it the house? Perhaps Gary Trudeau, as he meditates about new adventures for Duke, can inject excitement into the subject of international debt by beginning a new series. Slackmeyer, recently appointed mogal of the First Bank of Megolopolis, and Finance Minister Senor Juan Lopez (ex-Duke), who it is hoped enjoys substantial covert financial support, would be the stars. I am sure that would be more interesting than one more article - for which I apologize - on the debt

The debt disease appears in remission as banks and International Monetary Fund officials conclude yet another debt renegotiation. A sigh of relief arises. Another step in the march toward recovery has been taken, it is felt. Indeed, several factors do encourage these feelings of optimism: the ability of the international banking system to organize these refinancings without too many problems, as well as the economic recovery under way in the United States plus the very tough ansterity measures taken in a number of the major Latin American economies.

However, if the problem - namely, how to get out from under the load of debt service without excessively compromising economic growth — is seen from the point of view of the borrowers, the prospect looks uncertain. Why? The basic reason is that the burden of interest payments is very high at a time of sharply reduced capital inflows and still

lagging export earnings. The financial strain, as well as soaring unemployment and inflation in a number of major countries, means that the economic teams in the major debtor countries are under considerable political pressure to relax or get out. The only exception is Mexico, where the unitary political system and strong presidential leadership combine to make the bitter medicine more or less acceptable.

Let us look at some of these points:

■ In 1983, based on average international interest rates at midyear, Latin American and Cambbean countries will as a group need to pay out about \$40 billion in interest to service their external public and private debt. This amounts to 42 percent of their projected merchandise export earnings of about \$96 billion. The proportion is closer to 50 percent in the case of Argentina and Chile, and about 46 percent for Brazil and Mexico. Even though there are big differences among countries, it is significant that for the rest of the developing world the estimated interest burden in 1983 would be about 12 percent of export earnings. Among major non-Latin American debtors, only the Philippines faces an interest burden comparable to that of Latin American countries.

• The high burden of interest arises from two facts: two-thirds of the debt of the Latin America and the Caribbean region is owed at floating rates to commercial banks (vs. less than one-third for the rest of the developing world), and the total debt is large relative to export earnings. The ratio of outstanding external debt to 1983 merchandise earnings averages 3.4-to-1 for the region as whole, against about 1-to-1 for the rest of the developing world put together.

• While net lending by international commercial banks to Latin America — mostly to Argentina, Brazil, Chile, Mexico and Venezuela — was running at an unsustainable annual rate of \$25 billion in the period 1979 to mid-1982, after having increased rapidly since 1973, it has fallen off sharply. With few exceptions, new bank loans have been part of the refinancing packages arranged under the auspices of the IMF. Other than for a few countries - such as Colombia, Panama, and Trinidad and Tobago - there is at present no market lending to Latin America. In 1983, net commercial bank lending to Latin America is unlikely to amount to more than \$10 billion, or half the projected current-account deficit of the region.

• While this deficit — and hence the external financing needs of the region — has been sharply cut from \$38 billion in 1981 to \$33 billion in 1982 and to my estimate of about \$20 billion in 1983, the sources of financing here dried up at a much faster rate. A recovery of private direct foreign investment will take time. So will the return of some of the flight capital of the last two years, particularly in the cases of Mexico and Venezuela, which has to await a revival of domestic private investment. Net lending by the multilateral development banks is still relatively modest, despite special efforts to increase it. It is largely tied to investment to

projects, many of which have slowed down. As a result, combined net disbursements of the World Bank and the Inter-American Development Bank, after repayments of principal, will rise somewhat to about \$2 billion in 1983, and their net transfer after interest will remain at about \$1.3 billion. A substantial financing gap remains for several countries, despite the very large cut in imports. This gap has led to arrears in current payments and to requests for new reschedulings.

There is no doubt that most of the major debtors have taken very tough ansterity measures. However, until the economic recovery in the United States gets translated into the renewed growth of world trade, there will be a difficult interim period. Whether countries can bridge that interval without changes in policies is still uncertain.

Mexico is the most promising case. Its strong internal political organization has made it possible to force a reduction in real wages and a major cut in public expenditure, so that inflation is likely to come down quickly from the 100-percent-plus annual rate of late 1982-early 1983. The fact that 70 percent of export earnings and tourism are tied to

(Continued on Following Page)

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BANKING AND FINANCE IN LATIN AMERICA

Development Banking: Long-Term Aid in Area of Imminent Crisis

WASHINGTON - The World Bank is facing an unusual problem: While debt-ridden Latin American countries struggle to find money to repay billions of dollars in loans, the bank has illions of dollars in unused lending that under its rules it cannot disburse,

Under its charter, the World Bank in most cases can lend funds only for special projects, such as hydroelectric dams or export-related projects, whose funding must be matched by of undisbursed funds," a World Bank official that of the borrowing country. But with so many said. Latin American countries heavily in debt, those governments cannot pay their share so the money remains idle, a World Bank official said.

This situation illustrates the dilemma of project-oriented development authorities armed with long-term solutions when their moneystarved client countries are seeking short-term help. Agencies such as the World Bank and the Inter-American Development Bank are not in the business of restructuring debt; rather, they largely try to help countries keep their development projects going while they ride through the debt crisis. The banks' funds have been earmarked months or years earlier, and these allocations are difficult to change even in the midst

"The fundamental philosophy of our institution is to help countries diversify their exports, we believe, and to have an export orientation." recent interview. "It's one's ability to earn for-projects that generate exports."

ever, are interested mainly in paying back bil- can Development Bank during the 1970s lions of dollars in debt and have postponed or decided to concentrate its future lending activiabandoned costly development projects. With ties on the least developed countries because the World Bank, the governments must provide such larger countries as Brazil, Argentina, Mexi-funding and begin construction of projects be-fore the bank will provide financial assistance. But because the governments are unable to the belp from the IDB and are not able to get it. match funding for their projects, "there are lots

The official said these funds run in the billions of dollars and have been committed to projects that may or may not be completed, depending on whether the government has the finances to go through with the project. But because the funds have been committed, they cannot be used for something else. "The more sluggish the economic situation, the more likely this money will sit there," the official said. Some observers have recently complained that the World Bank is not doing enough or acting quickly enough to help its Third World custom-

"When things are on a downswing, the International Monetary Fund can inject money; we can't," the bank official said. "The fund has countercyclical capability. We are stuck with the cyclical. When countries aren't doing well, there's nothing we can do to push out projects. World Bank President A.W. Clausen said in a We're trying to put the emphasis on productive

out a loss), they also could remove ery collapses and the worst reces-

eign exchange that will make an economy more in many instances, these agencies are con-efficient." Many of the Latin American countries, howing crisis periods. For example, the Inter-Ameri-

Officials of both banks stressed that they were not created to help. Third World countries with balance-of-payments problems but to aid them in financing development projects intended to increase exports and thus earn valuable foreign exchange or help maintain the country's internal structure.

Even with the constraints of their mandates, however, officials at both banks said they were concerned and were doing what they could to ease the financial pressures on Latin American countries. This year, the World Bank instituted a special action program to help the developing countries sustain growth during the financial crisis. The bank was able to increase disbursements by \$2 billion between 1983 and 1985, but it had to borrow \$1.6 billion to finance the

Under the World Bank's special program, bank lending has been temporarily altered somewhat, but bank standards of creditworthiness and other project-related criteria remain unaltered. The World Bank has expanded struclending is for government programs, not tangible projects, and constitutes 10 percent of the bank's lending capability. It can be disbursed within a year, which is rather rapid for World

Bank loans, an official said. This lending does not require the govern-ments to match funding and does not have to be used for a construction project. For example, if a government wants to get rid of subsidies as part of austerity measures, it can receive World Bank money to tide it over until the crisis dissipates while averting domestic unrest, the official said.

The bank also expanded sectoral lending for export development, modernization of existing plants and financing of key imports for critical production activities. In addition, it is financing a greater proportion of projects costs, including providing supplementary loans for ongoing projects and restructuring existing World Bank

"While the bank's mission does not include the financing of balance-of-payments deficits of its members, it does have a responsibility to assist member countries to maintain the maximum level possible of development while minimizing the erosion of long-term growth pros-pects," the bank said when announcing the

For example, as of June 30, the bank approved additional loans to Mexico from 1984 through 1986 of \$740.3 million for agricultural urban improvement and energy development most of the members.

tural and industrial sectors.

In funding projects, the World Bank pays as construction of the project is being completed. However, the bank currently is accelerating disbursements of funds for projects, allowing the governments to pay their share later on, a bank official said in addition, the bank is reducing live with in Latin America and fortify their the scope of some projects while retaining the same amount of bank funding and restructuring

The Inter-American Development Bank is hampered in dealing with the current crisis because its funding allotments are fixed by negotiations between the 43 member governments and cannot be changed unless the governments decide to do so, bank officials said. This means that it is difficult to change the longrange plans that de-emphasized the larger, more developed countries. (The bank's membership was increased in 1976 and 1977, so that the 43 governments include countries from other regions, notably Europe.)

The bank's funding is only for projects, and payment is made as projects are completed. In addition, its funding pool is very small. Last year, it lent \$2.7 billion and about half of that was targeted to low-income countries.

Projects to improve agriculture and rural development are the bank's priority, followed by

The increases are expected to become effective on or before Oct. 31 after ratification by

tural adjustment lending beyond the 30-percent marketing programs, export development and individual country. This other local projects. Brazil was allocated an nual convention this year, its president, Antonio other local projects. Brazil was allocated an nual convention this year, its president, Antonio additional \$682.2 million for aid to its agriculfor developing "a framework of mature and efficient international cooperation." He criticized private U.S. banks for not cooperating in

can countries. "Those banks should realize the situation we

participation in Latin America's development, Mr. Ortiz Mena said. Meanwhile, the bank's board of governors has recommended that its 43 members increase the bank's resources by \$15.7 billion between 1983 and 1986, allowing it to lend about \$13 billion in freely convertible currencies for development projects, not balance-of-payments problems. Up to \$3 billion of these freely convertible currencies would be available to Argentina, Brazil, Mexico and Venezuela.

In addition, the bank recommended increasing by \$703 million its soft-loan division, the Fund for Special Operations, which is used for dealing with special circumstances "arising in specific countries or with respect to specific projects," the bank said. The board of governors also recommended the establishment of an Intermediate Financing Facility to subsidize the interest on IDB loans up to \$800 million.

Central America: United Front for Aid From World Banking Community

By David Vidal

hopes of obtaining more financial er technical assistance, is entering pression of the 1930s. its decisive phase this fall.

turned out to be not the start of a

debtors' cartel but instead an occa-

Despite prospects for improve-ment and disincentives to default,

success in managing the debtor

may be new setbacks, possibly

If they occur, the strategy should

to return to the negotiating table

for a cooperative solution with for-

debt relief not only mean infeasible some

sion for moderate resolutions.

Central American Common Mar- of the 1970s driven by oil price WASHINGTON - A concerted ket - Costa Rica, El Salvador, increases; then the prices of princi-Central American effort to present Guatemala Honduras and Nicaraa united front before the interna- gua - say they are facing the most tional financial community, in serious economic and social crisis in Central American history and aid, better terms of trade and great- the most severe crisis since the De-

buying out the banks (with or with-

the banks' incentive to lend new

Large rescheduled maturities

should be manageable if the capital

normal response to the OECD

business cycle because of increased

(Continued From Preceding Page) requirements for public capital; by

be for the debtor country involved can exports may lag behind their

eign banks, Western governments reliance on depressed Third World

diose, multicountry projects for improvement will simply take

pal export commodities fluctuated Meanwhile, depreciation of the

violently, and mostly downward: then the balance of payments went

into deficit and the deficits were fmanced with foreign borrowing.

The evolution of the crisis has dollar caused a substantial drop in Rising Debt: A Continent's Qualified Hope for Recovery

three years to six or seven. Similarly, a dramatic failure of coming due in the mid- and late- major Western governments to problem will not come easily. There 1980s will have to be dealt with, but play their role in the process — may be new setbacks, possibly should be manageable if the capital such as a rejection of the IMF quomarket has returned to a greater ta increase by the U.S. Congress degree of normalcy. Latin Americould push the debtor-creditor relationship away from the cooperative mode toward the conflict

Still, there is no avoiding the se-

vere consequences if OECD recov-

sion since the 1930s stretches from

The debt crisis is a supreme chaland international agencies. Gran-markets, but if so the process of lenge to international economic management. So far, the response to this challenge is encouraging.

mode, with losses for all sides.

cost of imports and debt-servicing requirements grew and industrial production and regional trade fell.

Now, with demand from the industrialized nations low, there is little prospect of recovery without substantial additional resources that these Latin countries currently

For these resources, they are turning to the international financial marketplace. And to call attention to their needs, they have been working together for more than a year with assistance from the Inter-American Development Bank for a joint regional presentation for private banks, foreign governments and multilateral institutions.

This project, with the development bank in an unaccustomed role as a "facilitator" for a group of member countries, represented a titanic effort," according to Guillermo Moore, a consultant to the bank, who has served as coordinator for the Special Program for Central America at bank headquarters in Washington.

The goal, he said, is "for the international community to see

The five member countries of the been swift. First came the inflation dollar reserve holdings even as the that these countries want to contin- lyses and composing necessary

ue working as a team." "With a little goodwill from importers, they can see their foreign exchange situation, which is now critical, improve. Very little can have a major impact on Central America," he said.

The first stee in the search for a way out involved testing the waters of the international financial community at a mid-September meeting in Brussels. This meeting was purposely held away from the maor financial capitals and at the headquarters of the European Community to stress the regional nature of the problem and the hoped-for global, rather than bilateral, nature of responses.

Neither the development bank nor the individual countries have played a key role." said exactly how much assistance is needed. This is due partly to the role that the bank has defined for name, except to speak of Nicaragua itself as a go-between, and partly to and El Salvador's "sharp imbalthe renewed interest of the countries in group action as a better guarantee of individual survival.

According to the bank, the initiative for the project came from the group of countries in January 1982, strong emphasis on the countries as after the failure of a plan to have a group "coincided with the mesthe World Bank lead a group with sage we were getting from Europe; some of the same goals in mind.

A pool of high-level Latin Amer- the region, not of each country." ican consultants was used to assist . One reflection of the regional the countries in assessing their eco- condition that has been quantified

documents.

These consultants included Javier Silva Ruete, a former finance minister of Peru, José Maria Dagnino Pastore, a former finance minister of Argentina, and Jorge Gon-zález del Valle, former president of the Bank of Guatemala.

A 34-page document recently circulated by the Inter-American Development Bank, "The Regional Report for Central America," is an abbreviated version of some of the results of their work. In a reflection of the behind-the-scenes role the bank is seeking to stress, there is no bank insignia in the document, only the recognition in the text that "in all of Central America's economic recovery efforts, the IDB has

The document mentions the needs of no single country by ance" in regional payments, "owing to the disturbances in the productive mechanisms of those

According to Mr. Moore, the they wanted to see the situation of

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nearly half from \$1.1 billion in 1980 to \$775 million in 1982. Also, the domestic product of the region was negative for four successive years starting in 1979, reaching a minus 6.5 percent rate in 1982, ac-

cording to preliminary figures. Recovery is foreseen by 1985 if

ican regional trade, which fell by ed for channeling to three regional entities to revive interregional trade, support the regional balance the per capita real rate of growth in of payments and provide working capital.
The development bank, as part ranta de la composition della composition della

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of a new emphasis on "flexibilization" in its internal processes, has agreed to continue working with the group of countries and with the world economy expands and potential donors, providing hope the countries in assessing their eco-condition that has been quantified foreign help is forthcoming. The that more projects and assistance nomic situations, preparing ana- is the contraction in Central Amer-resources being sought are intend-will reach fruition.

Investors rely on it. When continental Europe's leading institutional investors purchasing U.S. shares were asked about reading

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Argentina: Questions on Civilian Rule Begin

By Martin Andersen

BUENOS AIRES - A return to democratic rule slated for Jan. 30, after nearly eight years of military government, has raised serious questions about Argentina's will and capacity to pay off almost \$40 billion in foreign debt.

Uncertainty over the changes that a civilian government will bring has clouded a cautious optimism in foreign banking circles that Argentina, slowly retreating from financial collapse, will remain

A little more than a year ago, after the war with Britain over the Falkland Islands, Argentina was caught between the realities of imminent bankruptcy and a growing nationalist sentiment, in the military and the civilian opposition alike, that Argentina should renounce its financial obligations to tions in the developed world.

A speculative and military spending boom that began in the late 1970s had come back to haunt policy-makers in the form of ma- tion. turing short-term debt. The probem was exacerbated by a credit squeeze from developed countries as a result of the Falklands inva-

When Jorge Wehbe took over as economy minister after the war, Argentina could not pay even the interest on its foreign debt. Imports had ground to a virtual standstill as foreign suppliers refused to open

González del Solar, paid off early, after the International Monetary ernment cannot pick up the tools Fund meeting in Toronto a year and the relationships and make it

By December 1982, Argentine Foreign linancial experts agree mated \$2-billion trade surplus, due officials had hammered out the that solving Argentina's debt probrinciples of a rescheduling pro- lem is a question of proper manage- sufficiency and a record 40-milgram with the IMF. The same ment. The country always has been month, 263 creditor banks signed a able to count on its natural redebt renegotiation agreement with sources, particularly agricultural Argentina providing a \$1.1-billion products, to bolster its internationbridging loan for repayment by al standing "God is Argentine," is gations.

March 1984; a five-year, \$1.5-bil- a frequently heard popular reflective.

While lion loan with six years' grace on tion of confidence in the country's repayment; and the renegotiation capacity to recover.
of about \$6 billion in public-sector
It is a boast ban

and state-guaranteed debt. A condition of the agreement with the banks was that Argentina sign the standby IMF accord; it did so the following month. The program worked out called for the IMF to disburse \$1.5 billion over 15 months. Of that, \$625 million has been disbursed in two tranches, as well as \$502 million in compensatory trade funds.

Despite occasionally sharp differences with policy positions tak-en by the Webbe team, foreign financial analysts give the economy minister generally high marks for his overall handling of the situa-

and their predecessors were mostly against them trying to deal with the IMF," a U.S. banker said. "They had no power base, and what they accomplished here is little short of

"This team will leave a very solid work."

seriously. During the first half of culture grew by 8.4 percent last this year, Argentina ran up an esti- (Continued on Following Page)

pears to be the key to Argentina's ability to live up to its foreign obli-

It is a boast hard not to take

hon-ton grain harvest. As in years past, agriculture ap-

While the country's gross domestic product grew by 0.6 percent in the first quarter of this year, after a 5.7-percent decline in 1982, agri-

Real Growth Is Vital

(Continued From Preceding Page) the United States means that foreign-exchange earnings are recovering quickly, in line with the U.S. economy. A firming up of international oil prices, a strong probabili-ty in the next couple of years, is likely to round out the recovery.

While Brazil does also have a centralized political system, one-"When these guys took office, no one gave them more than 60 days, of the developing world; trade bartiers are an important obstacle to its exports to the industrialized world; and it has not been able to take advantage fully of lower oil import prices because of delayed payments arrangements. More-This team will leave a very solid over, the refinancing package base for the future. They've main-drawn up at the beginning of 1983 letters of credit.

The practical, problem-solving approach taken by Mr. Wehbe and the central bank governor, Julio with the fund," the banker said.

The central bank governor, Julio with the fund," the banker said. "There is no reason the next gov- level of international reserves. A new debt re-arrangement is thus

> The immediate prospects of other countries vary, and are in some cases closely linked to political changes. Both Argentina and Chile have large external debts in relation to their exports (4.2 times annual exports in each case). In the case of Chile, copper remains extremely depressed, while the actual program of a new Argentinean admin-istration is not really known. Peru, entering its third year of an IMF program, faces weak export prices and the effect of the natural disas
> Debt: Act Two"], to establish now for the ters caused by El Niño current, which has interrupted internal transport, causing shortages and intensified inflation, and has sharply cut the exportable output

next year or so, one has to hope for much as to jeopardize further lendchange in the following areas:

mstability: declining incomes, a soaring inflation rate, and unusually high unemployment in large and rapidly growing metropolitan arcas. Per-capita national income which reflects the drastic decline of the terms of trade — for the region as a whole will have declined 10 percent in the period 1981 to 1983. In a number of countries, basic food consumption has fallen in absolute terms, reflecting the cost of "adjustment" upon lower income urban groups, which are hard hit.

The high level of international

real interest rates, combined with additional refinancing charges and uncertainties about the future course of interest rates, casts doubt on whether several countries can continue to pay out half their export income in interest, unless net capital inflows can continue at a reasonable pace. Banks therefore face the uncomfortable choice of continuing to lend or risk jeopardizing the chances of getting their interest paid. Several imaginative programs

have been proposed to refund ex-ternal debts, but the cost to the lenders of such proposals would be too high for them to continue lend-ing. Those proposals are thus a double-edged sword. Moreover, they enjoy little support in the countries that would be called on to foot the bill. It would be preferable, therefore, as I have suggested in greater detail elsewhere in an artia contingency mechanism for the next year or two under which the margins over the cost of money, in the case of refinanced debts, would be sharply reduced - enough to In order to be sanguine about the due from the borrowers, but not so An improvement in the conditions that create potential political minute response to an emergency.

An improvement in the conditions that create potential political minute response to an emergency. ing. Not an easy objective to attain, but probably better than a last-

preferences, their number one choice was the International Herald Tribune, with eighty-five percent reporting that they read it.

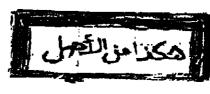
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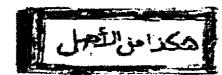


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t political and economic esemi week and other publications an expert on Latin America frequently throughout the rese hile. He is a former New In-RME Is is a correspondent Mexico for the New Yorkles

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Chile: Heavy Bill for 'Miracle' Of Pinochet Decade Now Due SANTIAGO — The rising tide whose resignation has been de-of political opposition to President manded by the opposition Demo-

Augusto Pinochet's economically crippled regime has made Chile's refinancing of foreign debt with the economy has become a political 600 international banks a major imperative for President Prochet, target of criticism in Chile.

Unless there is substantial economic recovery soon - with a reduction in the number of unemployed, currently more than 30 ercent of the labor force — Chile is likely to seek relief from the anstere "standby" agreement with the International Monetary Fund that is the cornerstone of the bank refinancing agreement.
The IMF agreement, signed in

January and already modified in June, provides \$900 million in balance-of-payments support and compensatory financing. But to draw the money, Chile has to abide by strict quantitative limits on fiscal delicits, monetary expansion and credit to the private sector, and it has to build up international reserves, which have fallen by \$1 bilion since December.

On the basis of IMF monitoring of this agreement, Chile's international creditor banks agreed in July to accept postponement of repay-ment of \$3.6 billion in debt principal, to restore commercial credit lines up to \$2 billion and to lend an additional \$1.3 billion to help Chile pay interest due this year on its

But to provide this financial package, the steering committee of 12 banks, led by Manufacturers Hanover, insisted on a sovereign guarantee by Chile for all the new loans and the rescheduled debt. The bankers also extracted a declaration of principles committing the government to support repayment of debt by all private borrowers, who hold 60 percent of Chile's foreign debt, forgoing bankruptcy

The terms of both the IMF and bank agreements have come under heavy criticism from a wide array of political parties, dissident economists and most of Chile's business organizations. The main charge is that Minister of Finance Carlos Caceres and the Central Bank's president, Hernán Errázuriz, made excessive concessions without getting the necessary conditions, including more new funds, to reacti-

vate the economy. This has become one of the ma-

cratic Alliance, led by the Christian Democratic Party. Reactivation of who is fighting to complete his presidency ending in 1989.

With a total foreign debt of more than \$18 billion and a population of 11 million people, Chile has the highest per-capita foreign debt in Latin America. When the military took power in 1973, the debt was \$4

Since 1982, when Chile was forced to devalue the peso, the economy has gone into a tailspin. The gross national product fell 14 percent last year, and the University of Chile's department of economy predicts a further 2-percent drop this year.

The major private banks, linked to the big conglomerates led by avier Vial in Banco Chile and the brothers-in-law Manuel Cruzat and Fernando Larrain with the Banco Santiago, are technically bankrupt and have been kept going by Central Bank funds of almost \$2 billion. Nonperforming loans exceed the capital and reserves of the private banking system by 60 per-

But the debacle of the financial sector rests on the collapse of the private economy, with industrial-ists, merchants and farmers unable or unwilling to pay loans inflated by annual interest rates that reached 40 percent in real terms in

The opposition political parties and labor unions since May have organized monthly "days of national protest" that have erupted into violence and shaken the regime. But in addition to protest, the opposition is proposing alternative olitical and economic programs.

"The debt problem is of such magnitude that it cannot be resolved by the traditional approach; renegotiating the debt for one or two years only postpones the problem," said Andrés Zaldivar, à for-Chilean minister of finance who is president of the Christian Democratic International.

Mr. Zaldivar, who was exiled for two years by President Pinochet, said that Latin American debtor countries should "propose to the international financial community

the resources it needs to carry for-ward its development."

"If this is not worked out, there will be a crisis in the system because the debtor countries will simply reach a point of inability to pay and there will be a political crisis, he said. In contrast, Mr. Caceres, in a formal statement to the banks, recognized that "it is not the normal function of commercial banks to make long-term loans beyond cight years."

For most of the last decade, economic policy in Chile has been conducted by technocrats backed by the military government, with little regard for dissent. The policy was that of the so-called Chicago school (from the work of economists at the University of Chicago), maximizing market-oriented, private enterprise with a free-wheeling financial sector and a minimum of state regulation.

For President Pinochet, it meant the prestige of frequent visits from leading international bankers, such as Walter Wriston of Citibank or David Rockefeller of Chase Manhattan, who not only lent money lavishly but also praised the policy as a model for the Third World. The loans also helped the Pinochet government equip the Chilean rmed forces with at least \$3 billion in foreign purchases, according to military analysts.

When these policies seemed to be working, with an 8-percent rise in gross national product in 1979 and 1980 and inflation below 10 percent in 1981, Sergio de Castro, the chief "Chicago boy" and minister of finance, proclaimed in his annustate-of-the-economy message for 1981 that Chile had laid the foundation "for one of the most solid economies in the world."

The symbol of solidity for Mr. De Castro was the fixed exchange rate of 39 pesos to the dollar, which he said would resist "all pressures and remain for many years." Chilean private borrowers, facing internal credit costs of 40-percent real interest, went to foreign banks to borrow billions of dollars at cheaper rates with official encouragement

Less than a year after Mr. De Castro's message, he was out and jor fronts for attack on the 10-year- a formula for paying debts in a ports of \$6.5 billion and exports of last decade. old regime of President Pinochet, form that will not deny the region only \$4 billion.

Inside a big copper mine near Rancagua, Chile.

The collapse of the Chilean economic "miracle" had begun. The evidence of business failures and bank insolvencies showed that the faith placed by the "Chicago boys" in private business decisions for the most "efficient" allocation of resources had been misplaced.

In the new political climate in Chile, where the transition to democratic constitutional government President Pinochet devalued the has begun, foreign bankers will peso. The current-account deficit face harder negotiating conditions in the balance of payments for 1981 than those required in dealing with had reached \$4 billion, with im- the economic technocrats of the

- JUAN de ONIS

Venezuela Rejects the Austerity Solution

By Joseph A. Mann

CARACAS - Once viewed as a low-risk leading target by international banks because of its multibillion-dollar oil revenues, Venezuela today has joined the ranks of international cred-

As a result of a steep decline in petroleum income and consistently high levels of domestic government spending, the country is running far behind in repayment of principal and interest on foreign debt estimated at \$32.6 billion. Public-sector obligations with overseas banks now stand at \$25,3 billion, while private sector debt is estimated at \$7.3 billion.

The Christian Democratic government of President Luis Herrera Campins has asked banks to relinance \$18.4 billion in public-sector debt falling due this year and next year, and wants bankers to stretch out loans to Venezuelan businesses and financial institutions for at least three more years.

In an effort to press both foreign banks and his own government for an early solution, Venezuela's finance minister, Arturo Sosa Jr., has threatened to resign if a refinancing plan is not approved by Sept. 30. The government's threemonth moratorium on most public-sector principal payments expires that day.

But major differences persist in negotiations between the Venezuelan government, represenpackage can be worked out before a new govern- about \$8 billion in 1982 alone. ment takes over in January.

IMF's prescriptions for economic recovery, and nomic measures in the circus-like atmosphere crisis.

"What we'll probably see is a Costa Rica-style solution for Venezuela," an American banker said. "That means nothing will happen until the new government is in office." Costa Rica encountered serious debt refinancing problems during a recent presidential election year, and bankers decided to wait and hold negotiations with the incoming government, since the outgoing government could not guarantee the execution of an economic recovery plan.

While Venezuela's foreign debt is far less than the \$80 billion to \$90 billion range of Brazil and Mexico, it nonetheless represents a thirtyfold increase over the country's foreign debt of a decade ago. Despite large increases in government oil revenues after 1973, two successive administrations borrowed heavily on international finance markets to pay for costly development programs in industry, agriculture and pub-

Although Venezuelan government entities regularly missed loan payments in recent years, primarily because of sloppy debt management, there was no real problem in servicing foreign debt until last year, when the country's oil exports fell to \$15.7 billion, from \$19.1 billion in 1981 and \$18.3 billion in 1980.

At the same time, the effects of other problems began to be felt. Four years of domestic tatives of more than 400 creditor banks and the recession, government mishandling of the econ-International Monetary Fund, which is attempting to mediate in the restructuring talks. bank, Banco de los Trabajadores, provoked a Most foreign bankers in Venezuela have little sharp drop in confidence both at home and hope that any comprehensive rescheduling abroad, and caused capital flight amounting to

Early this year, continued weakness in oil The Herrera administration has rejected the prices plus an inability to refinance the government's maturing external debt caused an accelmany bankers believe that it will be impossible eration of capital outflows. By mid-February for the government to implement harsh eco- the country was sliding toward a full-blown subsidies on oil prices, and a unification of the

The authorities imposed exchange controls a measure not seen for two decades - and instituted a three-tier exchange rate for the

nation's currency, the bolivar. The Herrera administration also realized earthis year that it would not be able to repay foreign banks the more than \$18 billion comi due this year and next. This problem, while tied to falling oil revenues, was mainly a product of other factors. The Herrera regime had failed to establish a practical debt-service profile and did not notice that more than \$13 billion in foreign

maturities was coming due in 1983. "Someone in the Venezuelan Finance Ministry had to be rather slow," a British banker commented. "Venezuela's annual debt service ran from \$2 billion to \$3 billion up through 1982, then jumped to \$13 billion this year. The people running the administration's debt program must have been asleep."

Another factor was the reluctance of many forcign banks to refinance Venezuela's maturing debt following the uncertainty caused by the war over the Falkland Islands. At the beginning of this year, as government

agencies began miss ing loan payments with darming regularity, the Herrera administration asked banks to grant a moratorium on principal sayments for most of its outstanding foreign loans. The most recent moratorium on principal payments expires at month's end, but foreign bankers expect the Venezuelans to seek another

Talks are under way on rescheduling much of enezuela's foreign debt, but the Herrera government has been unable to reach agrees with foreign banks and the IMF on the shape of an economic restructuring program.

The IMF has recommended substantial reductions in government spending, new taxes, the elimination of price controls and domestic exchange-rate system.

Argentina: Questions on Civilian Rule Begin

(Continued From Preceding Page) year and showed a 7.5-percent

first-quarter growth this year. Such abundance, coupled with the current government's success in needed to hold the country togeth-

getting the emergency financing er until power is handed over to civilians, has pushed the onceburning debt issue into the back-But Argentina's guarded optimism over the course of debt nego-

tiations thus far may falter after the Oct. 30 presidential, legislative and municipal elections. While the government of President Reynaldo B. Bignone has been credited with holding down imports to a bare minimum and keeping a lid on public spending, pressure for salary increases and last-minute appropriations by the military rulers before they leave office may contrib- confronted with IMF-inspired

ute to an enormous strain on the strictures on spending, as well as Lavanga, a top Peronist economist. federal budget.

"The fourth quarter is going to be a real problem, because it coincides with the lame-duck government" said a Western diplomat. The shorter the transition period, the better."

Argentina's current cash-flow problems also have been exacerbated recently by the growing practice of underinvoicing exports, a phenomenon encouraged by the widening gap between the official and blackmarket price of the dollar on the foreign-exchange market. The official price of the dollar at mid-September reached 12 pesos, while

the black market price was 22. Beyond the inevitable inflationary push by the outgoing military government, there remains the question of what attitude the incoming government will take when

with an explosion of popular ex-

Both the traditionally favored Peronist Party and its closest rival, the Radical Party, have pledged that, if elected, they would not go to such an extreme as debt renunci-

But assurances are little comfort to banking representatives, who feel certain that the victorious party will read into its popular mandate a right to toughen Argentina's stand in talks with its creditors. The urgency of the negotiations is reflected in the fact that Argentina will need help with more than \$8 billion in payments coming due

"If the bankers come in with the attitude that the problem is Argentina's and only Argentina's, I think

Neither the Peronists nor the Radicals appear willing to allow IMF-imposed austerity to cut further into workers' purchasing power. The Peronist presidential nominee, Italo Argentino Luder, and the Radical candidate, Raul Alfonsin, have both steered away from suggesting that more cuts in real wages are needed to meet the country's foreign obligations.

In a dramatic turnaround from the days of industrial development fostered by high tariffs and hefty subsidies, a labor surplus has developed in a country accustomed to importing large numbers of foreign

"The comparative advantage enjoyed by Argentina in today's international market is its low wage you'll see a toughening up of our level," said the respected indepen-bargaining position," said Roberto dent daily newspaper La Nacion.

Peru Battles Inflation, Social Unrest Doubts persist that the Belaunde administra-

By Nicholas Asheshov

LIMA — The Peruvian Congress spent much of August pushing through a law to set limits for monthly price increases on such basic necessities as gasoline, bread and electricity. The law stipulated increases of about 3.5 percent a

The Congress had intended, in a combination of vote-seeking and genuine anger over the bal-looning of the inflation rate — it has jumped this year from 70 to 170 percent on an annual basis — to prohibit the price rises altogether.

But even before the Congress acted, the Finance Ministry and the Central Bank were

launching a financial package to bring the government-ordered price rises of the first seven months of the year down from about 10 or 11 percent a month to around 3.5 percent. So the Congress was just putting its oar into waters already being oiled over by the economic team - which, as elsewhere in Latin America, is made up of technocrats rather than politicians

- and its efforts served to demonstrate the

legislators' minimal influence over economic and financial policy.

Moreover, the price-ceiling law was the only bit of legislation the Congress has passed since the 1983 session opened at the end of July. For many Peruvians, this was par for the course for the democracy that succeeded 12 years of mili-tary rule in 1980. All this comes at a time when Peru is limping through the worst slump since statistics have been kept, (with its foreign debt

estimated at more than \$11 billion). For now, the ineffectiveness of the Congress and the gravity of the economic crisis do not seem to be reflected in social unrest, as President Fernando Belaûnde Terry, 71, moves into the fourth year of his second term (he was elected to his first term in 1963, but was overthrown by the military in 1968 in the middle of a

The constitution allows ministers to force through "extraordinary" legislation "in the nadiscussion of legislation between ministers and discussion of legislation discussion of legislation of legislation discussion discussion of legislation discussion discussion

congressmen. But as Eduardo Calmell del Solar, a leading member of the ruling party, said, tion has the political muscle to control an eco-"Sure we discuss government decrees; the only nomic crisis that even government economists problem is that we discuss them when they're

These procedural points suddenly are very important as the government struggles to per-suade Peruvians that it really does have inflation under control. The people are skeptical - and with some reason.

An International Monetary Fund team is coming to Peru this month on what officials in Lima say is a routine checkup, but which in fact will include preliminary discussions of a new agreement. This would be preceded by an urgent request for a waiver of the present extended fund facility agreement. Peru, in other words, has failed for the second year in a row even to come close to complying with the agreement.

Last year, the budget deficit was supposed to be

4.2 percent of the gross national product, but it came in at more than 9 percent. This year the target was 4.1 percent, but it is heading for 9 percent or higher, according to a Finance Minis-

The government says that it has good reasons for this latest failure: It is having to pay the cost, in terms of lost production and reconstruction spending, of the flood that devastated the northern coast during the first five months of the year and of the drought in the southern highlands — both the result of the periodic El Niño ocean current which, meteorologists say, could be re-

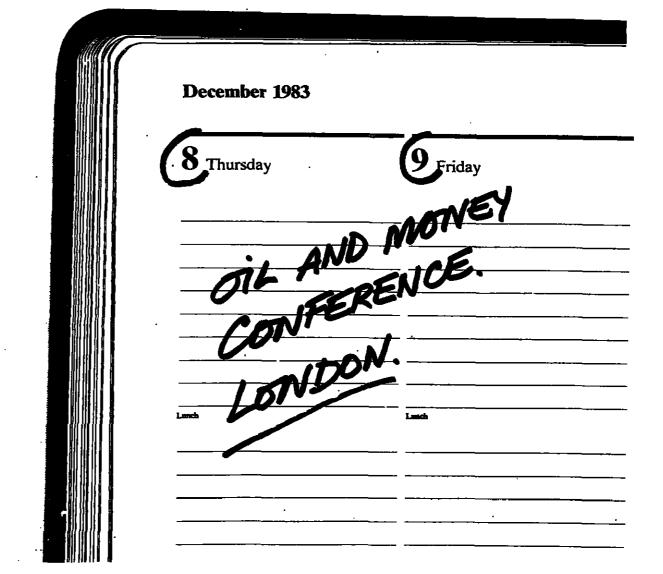
peated this coming year. "There's just no doubt that the floods have cost us the extra percentage points many times over," said Richard Webb Duarte, the executive president of the Central Bank. Mr. Webb and other officials point out that government expenses, and above all investment projects — Sendero bombings have blacked out Lima dams, irrigation works and roads —have been and destroyed factories. Earlier this year, the cut back extensively. Construction companies guerrillas machine-gunned and dynamited the say that their contracts have been cut and that Acción Popular ruling party headquarters and a the Treasury owes them substantial sums for the police station, killing two persons in each attack tional interest." In theory the system allows for small amount of work already completed — the

nomic crisis that even government economists say will continue at least until the middle of next year. Government spending cuts have been extensive but also selective: In Lima, workmen are busily repairing roads and cleaning parks, a lastminute effort to curry electoral favor before municipal elections in November. Diplomats point also to the decision at the end of last year to purchase 26 Mirage-2000 fighter-bombers at a cost, spread over 10 years, of \$870 million. Meanwhile, the navy has contracted in the Netherlands for \$116 million worth of refitting of old cruisers and destroyers, and equipment pliers in Peru say this is just the beginning of a \$1-billion program.

General Francisco Morales Bermúdez, who was president from 1975 to 1980, has raised questions about the military spending: "Who sells this equipment to us? Who finances them? Who is interested in fomenting discord between neighbors here and elsewhere in the underdevel-

Internal discord has become dramatic this year, with the rise to prominence of Sendero Luminoso, or Shining Path, a militant guerrilla group. Sendero, which espouses a Maoist phi-losophy, has been gathering strength in recent years in the isolated valleys and ranges of the south-central Andes, centered on the old colonial city of Ayacucho.

The police struggled unsuccessfully to cope with the guerrillas until President Belaunde fi-nally decided to use the military. Official figures are not clear, but at least 1,000 people have been killed this year either by the police and army forces or by Sendero.



Note these dates in your calendar now!

The fourth annual International Herald Tribune/Oil Daily conference on "Oil and Money in the Eighties" will take place December 8 and 9 in London. The program will include sessions on the following subjects: the investment outlook for

energy, structural versus cyclical change in the oil markets, the impact of declining oil prices and demand on the producing countries, and the oil futures market.

For further information, please contact the International Herald Tribune Conference Office, 181 Avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France. Telephone: (33-1) 747-12-65, Ext. 316. Telex: 612832.



In Mexico, Draconian Measures Are Working

(Continued from Page 9)

The indemnification controversy

would have provoked bitter resent- stock. The government also plans approach to loans. ment in labor circles, observers say. to sell the bank-owned shares of And without union cooperation, private companies that were ac- office of Banamex, Mexico's sec- cent and higher, have quadrupled President de la Madrid could never quired through the nationalization. ond-largest commercial bank, have implemented his austerity. In another move applauded by agreed that the state takeover had program: Despite inflation rates of many in the business community, affected lending procedures. "We lending activity has "nearly dou-80 percent this year and 100 per-

that the shareholders would be major unions have also refrained agree how much their properties government to have lost their jobs bankrupt, and some banking clisome businessmen, however, desome businessmen, however were worth or how they wanted to in the heavily unionized contraction sector alone.

Politically, Mr. de la Madrid has political forces constraining the toward satisfying the private sector Yet a reversal of the decree than I percent of the outstanding taking an increasingly bureaucratic

proved by this streamlining.

served to highlight the often subtle probably gone as far as he can some other businessmen see these changes as unwelcome evidence of Mexican presidency, with its seem- clamor for a "denationalization" of further consolidation of state con- for affecting portfolio manageingly monarchical powers. Mr. de the commercial banking system, a trol over the nation's financial netla Madrid was plainly disgruntled local analyst said. Aside from im-last year when the bank national-demnifying the former bank own-the same as it was," said a promiization plan was announced, and ers, the administration will soon nent Mexico City industrialist, who Mr. Lopez Portillo later let it be put up for sale 34 percent of the asked not to be named. He said known that his successor, then shares of the nationalized banks, many management-level employpresident-elect, was "informed, not with the restriction that no individes had left "since the nationalizaconsulted" about the decision. ual or company can purchase more tion, and those that have stayed are

cent in 1982, organized labor has ber of Mexico's commercial lend- said the banker, who requested anvoiced approval of Mr. de la Massettled for pay raises of less than 50 ing institutions, eliminating some onymity. Every individual branch of the original 60 nationalized is supposed to show a consistent banks and loan associations and profit now, so we don't look for paid back. Furthermore, as Mr. Carral of Bank of America noted, "The bankers themselves couldn't solution in the status of the same of the Some businessmen, however, de-

> state-run banks, attributing bu-But the former bankers and reaucratic obstacles to the awkward transition from private to state ownership. And the main facity squeeze that took hold in Mexico well before the nationaliza-

> sage, the president repeated his edge that the banks will be run "for the people, not for a new minonity of leaders." He said that bank deposits, attracted by record The manager of a major branch lixed-term interest rates of 55 persince last year. Mr. de la Madrid also reported that commercial

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WALL STREET WATCH

By EDWARD ROHRBACH

Analysts See Market at New Heights. Or Starting Violent Decline, or Both With the stock market hitting a new high this week, the rarefied air has as many analysts dizzy and gasping for breath as those heady

A prominent skeptic is Morgan Stanley's John A. Mendelson, the firm's technical expert. In May, he saw the bull market's first leg over and predicted a "long, boring, low-volume decline" lasting most of 1983. "This view is beginning to shift toward expectation of a more violent decline, something like the sharp break of October 1978," he says now. His foreboding of another October massacre for stocks is based on "divergences" he sees between the record-breaking performances of the 30 issues in the Dow Jones indus-

The speculative froth

Market Advisory. The

is off the market for

now,' says Grayson

market has become

very selective.

trial average and the lagging gener-"Virtually every stock market statistic is now showing signifi-cance divergence against the

DJIA," he warns.

Mr. Mendelson notes that such major inconsistencies on Wall Street — such as the "new highs" list on the New York Stock Exchange's failing to mirror the Dow's robust advance - do not

usually continue very long.

"Obviously, they can be corrected by the general market rising to meet the DJIA or the Dow average getting in line with the rest of the market. Unfortunately, the latter appears imminent."

But Martin Zweig, editor of the Zweig Forecast market advisory letter.

dismisses these divergences as no problem. "I expect the Dow's new high will encourge more public buying (and, on the other hand, some institutional profit taking)," he said. "This should help secondary stocks to begin playing catch-up with the big

Mr. Zweig has moved his model portfolio this week up to an 80-percent invested position with the recommendation of four new buys: AMR,

ARA Services, General Dynamics and Revco D.S. Stocks "back in buying range" are Visual Technology, Ultimate and Tampax. Mr. Zweig also favors the regional banks, especially Trust Company of Georgia, as well as Walgreens, Golden Nugget and U.S.

The cantion flag for equities remains up," comments J. Anthony Boeckh in the Bank Credit Analyst of Toronto. "The market remains vulnerable to a continuation of the corrective process, either in the form

of basebuilding in the averages and selective correction of individual sectors, or in the form of a terminal shakeout." Interest-Rate 'Downtrend'

"Blue chips is where most of the action will be for a while," states another investment letter, Grayson Market Advisory. "Not until interest rates resume a sharp downtrend are the more speculative areas of the

market likely to show much in the way of sustained gains."

The letter notes that from August 1982 until last May stocks in the Dow trailed the performance of the OTC, American Exchange and broader-based NYSE averages, while since then the reverse has been true.

"It tells us the speculative froth is off the market for now," Grayson says. "The market has become very selective. Looking at breadth and other technical indicators confirms that the market is being held up by

only a few stocks while many undergo significant corrections."

But the Roesch Market Memo says: "Many think this building second leg of the built market — which should carry through this year — will feature the 'Nifty Fifty' Rhue Chips and other large capitalization stocks (mostly cyclicals). We disagree with that assumption strongly. We think the winners will be those companies — of whatever size and ilk — that

show a viable, reliable earnings growth trend." A slide in interest rates should continue to propel Wall Street higher for about two months, says Henri Conzineau, portfolio manager at Crédit

Industriel et Commercial, a Paris bank. "But the Federal Reserve's current policy of pumping more money into e system promises to make the rally short-lived by again backing up rates around the first of December," he said.

He expects the Dow average to top out at about 1,300, then retreat about 100 points until the cyclical economic recovery gets translated into Sharply higher profits for selected companies.

Mr. Couzineau favors the hospital management stocks, and mentioned Hospital Corp. of America, Lifemark and Humana. Other market leaders he picks are Waste Management, Baxter Travenol, Johnson & Johnson, Abbott Labs, Gannett, Dun & Bradstreet and Schlumberger.

Robert Prechter, publisher of the Elliott Wave Theorist of Gainesville. Georgia, says the fifth and final wave of the great Elliott bull market that began in 1932 will carry the Dow to 3,600 territory during 1987. His forecast is based on a market momentum figure achieved last July that was the highest since 1943. Near-term, he sees an intermediate wave

under way that "should top Dow 1,340, with early October the most likely International Herald Tribune

Interbank exchange rates for Sept. 21, excluding bank service charges

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Petroven's Challenge to Calderón Berti

Big Revenue Decline, Scandal Are Hurdles

By Kenneth N. Gilpin New York Times Service

CARACAS — By any measure, the past 12 months have been difficult ones for Petróleos de Venezuela. The state-owned oil company is one of Latin America's largest business concerns, and its 40,000 employees generate \$15 billion a year, more than 90 percent of the

country's foreign exchange earnings. Among other things, the holding company, set up in 1976 with the nationalization of affiliates of Exxon, Shell and Mobil, has been hit by a sharp drop in revenue and rocked by an internal scandal.

It has a new president, Humberto Calderón Berti, whose appointment has been criticized by many in the industry as well as by the presidential candidates from both of the country's major political parties. Indeed, both candidates have said they intend to replace him after the elections in December.

The company also has a short-term cash

flow problem.

All this has come as something of a shock for the Venezuelans: Since the first well began pumping here 70 years ago, they have tended to shrug off many of their problems with the saying, "There is oil enough for

To be sure, if anything, there is more oil now than there ever was as a result of a vast program designed to increase the nation's proven reserves and improve the ability of Petroven, as it is known, and its operating companies to pump them. Between 1976 and 1982 Petroven's investment budget increased tenfold, to \$3.95 billion. Thus, no one doubts

the company will survive.

But questions persist about how it will



Humberto Calderón Berti at a meeting of OPEC last March in London.

emerge from its current tribulations. "This year and next are critical ones," said Kim Fuad, director of the Daily Journal, Venezuela's English-language newspaper. To be fair, the problems that the company

faces are not, in the main, of its own making. They began last September, when the government asked Petroven to help ease the nation's foreign exchange crisis. In 1982 the company had revenue of \$15.6 billion, and the government asked that about \$6 billion in liquid assets be transferred to the central

Petroven might have been able to overcome the freezing of the \$6 billion. But the oil market did go bad, and the decision in March by the Organization of Petroleum Exporting Countries to cut its prices by 15 percent hurt

As a result, the company now forecasts that revenue for 1983 will decline by \$2 billion from levels a year earlier to \$13.7 billion, and stabilize at that level next year. In the company's sprawling, ultramodern headquarters in downtown Caracas, visitors have to pass through two sets of security

(Continued on Page 15, Col. 1)

N.Y. Stocks Slide Back in Profit-Taking

20,000 Swiss francs (about \$9,000) thorities had not seized the docu-

confiscated documents that Marc in Switzerland without going

A Justice Ministry official, Lio- investigations under certain cir-

Williams Buys Northwest Energy for \$735 Million

NEW YORK — Williams Cos., felt that Northwest, under current buy an option held by Allen for bitrager, in referring to Allen's an energy and fertilizer group, has conditions, was worth between \$32 3.34 million Northwest shares, ex-

NEW YORK - Investors

cashed in on profits Wednesday in fairly active trading on the New York Stock Exchange, driving the Dow Jones industrial average down from its latest record high.

The blue-chip issues that have been in the spotlight the past two weeks were the ones that came under fire. Takeover situations also attracted some attention.

The Dow traded in a narrow range most of the day, closing down 5.9 to 1,243.29. It rose 15.25 points Tuesday to a record 1,249.19. Several analysts said they had expected some investors to take profits Wednesday. Declines led advances 9 to 7

By Marcus Ferrar

BERN — The Swiss government formally protested to Washington

on Wednesday over U.S. attempts

to seize evidence against the inter-national commodities trader, Marc

Matthias Kraft, a senior Foreign

Ministry official, said at a news conference that a U.S. Energy De-

partment subpoena of Aug. 25 or-

dering the Swiss-based company to

hand over documents violated in-

ternational law because it infringed

The Justice Ministry, meanwhile,

based in Zug, to refrain from hand-

ing over the documents sought by the Energy Department. The pen-alty for disobeying the order would

Co., Williams announced Wednes-

hams said it signed a merger agree-ment to pay \$39 a share for North-

west's approximately 18.2 million shares outstanding.

of Northwest. But they believe that

partment on Wednesday.

Rich & Co., in Switzerland.

high was one big yawn," said Anthony Tabell, partner in Delafield, Harvey & Tabell of Princeton, New serve's easing credit in the near Jersey. "The market hasn't done future, since the U.S. money supply anything spectacular in four growth has slowed in the past months and maybe it won't do anything for another few months." The bond market, faced with a

\$14.25-billion Treasury refunding, also faltered after rallying Tuesday. "There was no follow-through in either market and that made some people nervous," said Hugh Johnson of First Albany. "The market is caught between

institutions dressing up their portfolios for the fourth quarter and Declines led advances 9 to 7. some traders doing long-term prof-Volume was 91.3 million shares, it-taking from the year-old bull

Switzerland Makes Formal Protest

To U.S. Over Marc Rich Subpoena

Marc Rich, 49 years old, an

American of Belgian origin, and his

companies and two associates face,

the largest tax-evasion case in U.S.

history. An indictment issued

Monday in New York accused

them of evading \$48 million in U.S.

taxes. They were also charged with

mail and wire fraud, racketeering, conspiracy and illegally buying oil

from Iran while Americans were

On Ang. 12, Swiss prosecutors

Swiss Ambassador Anton Rich was preparing to send to the Hegner was directed to make a formal protest at the U.S. State Dewitte another subpoena is an order to produce evidence under threat of court

Ministry then cited an economic-

to divulge information that could harm third parties — in this case,

Williams outbid Allen, a Wall

Street investment house, by \$8 a

Northwest by offering \$31 a share.

Northwest apparently had want-ed to get out of the agreement with

Allen, first accepted in August, but

Over the past few days, specula-

the tax investigations. The Justice sanctions.

held hostage in Tehran.

the firm's customers.

ordered Marc Rich & Co., which is secrecy law forbidding companies

be up to three months in prison or nel Frei, said that so far Swiss au-

more than \$735 million, outbidding "They didn't want a big fight," the investment house of Allen & Mr. Henry said in explaining why

After days of negotiations, Wil-share. Originally, Allen had won

The purchase price appeared it was reportedly committed by cer-overly generous to many followers tain options it had granted Allen.

Williams is hoping for changes soon in natural gas pricing that could improve the industry's pros-

John Henry, an analyst with E.F. Under the terms of Wednesday's

Brussels based

NEW YORK STOCK EXCHANGE

MEMBERS AND INVESTMENT

BANKERS

Established 1842, with Paris facilities

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92521 Neuilly Codex, France.

the agreement.

acquired Northwest Energy Co. for and \$34 a share.

down from 103 million Tuesday. market," said Barry Berlin of Cos. added 1/2 to 26%. Northwest, The response to Tuesday's new Shearson/American Express.

> A group of experts predicted late Tuesday that the Fed would report a \$200-million decline in the money supply this Friday, which would make conditions ripe for easier credit. Even though the supply rose

> American Telephone & Telegraph was the most active NYSE-listed issue, off ¼ to 67½; the company said it would seek to cut long-distance telephone rates.

Northwest Energy was second were below on the list, up 1% to 38%. Williams and August.

ments sought by the Energy Department but that he did not

A U.S. attorney said Monday

that U.S. authorities would seek the

extradition from Switzerland of

Mr. Rich and an associate, Pincus

Green, also an American. A Swiss

government spokesman said no re-

intention of protecting possible criminals but that it was unaccept-

able that court sanctions be applied

The Foreign Ministry official re-

peated its demand that the U.S.

authorities go through established legal channels, which provide for

Swiss authorities to assist foreign

Hutton & Co., said his colleagues transaction, Williams is offering to dred thousand dollars," said an ar-

ercisable at \$31. This would provide Allen with an \$8 profit per

share on the sale, or a gain in excess

had legal fees of only several hun-

"They did great. They probably

of \$26 million.

Mr. Frei said that there was no

quest had been received so far.

exclude this eventually.

which had been sought by Allen & Investors were still optimistic Co., agreed to merge with Williams about prospects of the Federal Rein a transaction valued at more than \$725 million. Avon Products was the third-

most active issue, off 2% to 24%. The company said its third-quarter earnings would be well below analysts' estimates. Revlon fell 11/2 to

Coleco Industries lost 11/2 to 37%; the company again delayed shipment of its Adam home computer to retailers. Texas Instruments shed 21/4 to 1161/4. The stock skidded skidded 3¼ Tuesday after the company said sales of home computers and related products were below planned levels in July

U.S. Estimates **GNP** Growing at 7% Annual Rate

By John M. Berry Washington Post Service

WASHINGTON — The U.S. economy is expanding at a 7-percent annual rate this quarter, down from the second quarter's very strong 9.7-percent pace, the Commerce Department reported Wednesday.

The 7-percent rate of increase in the gross national product, adjusted for inflation, is about in line with the expectations of most forecasters, and is an indication that the economic recovery that began last December will continue for the remainder of this year and possibly for much longer.

Inflation, as measured by the GNP implicit price deflator, is running at a 3.2-percent rate this quar-

ter, virtually the same as the 3.3percent rate for the second quarter, the department said. Treasury Secretary Donald T. Regan called the report "one more

signal that this recovery is on track. We want solid and steady economic expansion and we are getting it."

The third quarter GNP figure the department's so-called flash estimate — is based on preliminary statistical results. This was the first time that these figures have been released officially, though they have regularly been leaked in the

For that reason, the report warned that the figures "may be subject to larger revisions" than those in the regular GNP estimates. "Nevertheless," it added, "the flash estimates included in this release are expected to be generally reliable in indicating the direction of change in economic activity and whether the change is large or

In its second revision of the sec-GNP from a 9.2-percent rate of increase to 9.7 percent. Originally the figure was estimated at 8.7 per-

As the second quarter figures for real output have risen, those for inflation have dropped. The implicit deflator has gone down from 4.5 percent, to 3.5 percent, and now

The estimate for second quarter they say.

corporate profits, meanwhile, was revised upward. Profits from cur-rent production increased \$36.4 billion to a seasonally adjusted annual rate of \$218.2 billion. That is \$3.5 billion above the preliminary estimate made a month ago and nearly double the first quarter's \$19.9 billion increase, the depart-

Jerry Jasinowski, chief economist for the National Association of Manufacturers, said he expects the final third quarter figures to show a stronger increase in eco-nomic activity than indicated by the flash estimate.

"There is no indication that this recovery is significantly slowing down in the third quarter," Mr. Jasinowski declared. "While the 7percent flash estimate is itself high it appears that the final report for the third quarter will show even faster growth, in the area of 8 per-

cent, as retail and auto sales pick up in September. "There is a lot of steam in the recovery for the rest of 1983," he continued. "With inventories at historically low levels, we can expect a general rebuilding of stocks in the third and fourth quarters. Healthy consumer demand and a modest pickup in efficiency related capital spending will reinforce this

Martin Feldstein, chairman of the Council of Economic Advisers, said Tuesday that he believes real output will increase at an average of 6 percent to 7 percent for the second half of this year. In other words, he thinks that the fourth quarter will be quite strong, too.

However, some other forecasters think the final number for the current quarter could turn out to be lower rather than higher than 7 ond quarter numbers, the depart-ment raised its estimate of real spending remains as weak as it was spending remains as weak as it was in July and August.

But even the more pessimistic economists generally agree with Mr. Jasinowski that business efforts to rebuild depleted inventories will keep new orders for factory goods flowing and keep GNP rising through year's end. The fourth quarter increase could well be no more than 4 percent or so.

AT&T Seeks to Reduce Interstate Rates 10-15%

ask federal regulators to approve long-distance rate reductions of

Fiat did not release earnings figures for the comparable 1982 period, but reported for the first time that it earned 137 billion lire for all 1982. That was a 52

fell to 10.342 trillion lire about \$6.4 billion - from 10.866 trillion lire in 1982's first half. The sales decline in the first half reflected the sale of automotive operations in Co-lombia and Argentina and its steel subsidiary to Italy's state group Finsider. Sales for 1982 rose to 20.6

trillion lire from 20.3 trillion lire a year earlier. Fiat achieved these gains despite a severe loss in its overseas auto operations, mainly in South America.

Other analysts, meanwhile, won-

dered whether indecision had cost

Williams a substantial sum.
The analysts cited Williams's

disclosure that it had had contacts with Northwest Energy in July.

Fiat Says Profit Rose 52% in '82 TURIN — Fiat, Italy's larg-

est automaker, said Wednesday that it earned 624 billion lire, or about \$390 million at current exchange rates, in 1983's first

percent gain from 1981. Sales for this year's first half

WASHINGTON — American Telephone & Telegraph Co. announced Wednesday that it would

\$1.75 billion a year. The company did not spell out a precise schedule for trimming its interstate rates. But in a filing with the Federal Communications Commission July 29, AT&T estimated that they could be slashed 10-15

AT&T said details of the cutback would be disclosed Oct. 3, when a formal tariff, or rate schedule, is filed with the agency.

Spokesman Pic Wagner said, rates. however, that a reduction in revenue of \$1.75 billion "will work out to a reduction in actual rates within that range of 10 percent to 15 per-cent for the average customer."

AT&T's revenue for all interstate services, including regular long-distance calls and private businessline service, totaled \$21.4 billion in breakup.

1982, Mr. Wagner said. The reduc-tion in revenue being proposed by the company thus amounts to about 8.2 percent. If approved by the FCC, Mr.

Wagner said the rate reductions would take effect Jan. 1, the day on which AT&T is scheduled to be broken apart to comply with an antitrust settlement. As it has previously, AT&T made it clear Wednesday that the

proposed reductions in long-disance rates are tied to unfettered implementation of an FCC deci-sion to gradually eliminate the sub-sidies from long-distance charges that now hold down local phone

"Our ability to make our planned reductions in interstate long-distance rates is dependent upon no changes or delays in im-plementing the FCC's order," said Morris Tanenbaum, the chairman of the AT&T division that will provide long-distance service after the

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Franz Heinrich Ulrich. Chairman of the Supervisory Board of the Deutsche Bank A.G.

I have been a daily reader of DIE WELT for many years and particularly of its economics section. DIE WELT is topical, factual and well laid out - exactly what one needs.

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London Commodities Paris Commodities Figures in French France per metric for 2.0e5 2.290 2.395 2.515 N.T. N.T.

> London Metals Sept. 21 Figures in sterling per metric ion.
> Silver in pence per tray ounce. 967.00 989.00 1,913.00 1,917.00 8,485.00 8,420.00 8,580.00 8,530.00 263.00 222.50 272.50 272.50 541.50 544.50 557.00 542.00 786.00 898.00 1.36% 0.66% 453.00 213.00 79-80 21-22 75%-78 6.4001 0.46

Cash Prices

Dividends

AMEX Highs-Lows Sept. 21

Moody's: bose 100: Dec. 31, 1931. p-preliminary; f-final Reulers: bose 100: Sep. 18, 1931. Dow Jones: bose 100: Dec. 31, 1974. NYSE Highe-Lows Sept. 21

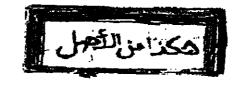
Commodity Indexes

Imperial Gets Incentives For Oil Sands Project

For Oil Sands Project

New York Times Service

TORONTO — Imperial Oil Ltd. has won new government incentives to restart its oil sands project in Cold Lake, Alberta. The provincial government is greatly reducing the royalties Imperial must pay, while the federal government is easing the company's tax burden. Similar concessions were granted in May to a project at Cold Lake sponsored by BP Canada and Petro-Canada, and are expected to be extended to other projects. Imperial, 70 percent owned by Excon, canceled its original, much larger Cold Lake project in 1981.

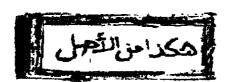


United States

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LOWARD EWELS



BUSINESS BRIEFS

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Broken Hill's Chairman Says Board Opposes Boosted Bid from Wigmores MELBOURNE (Renters) — The chairman of Broken Hill Proprietary Co., James McNeill, said Wednesday that BHP directors still recommend that shareholders reject the enhanced takeover hid by Robert Holmes à

Mr. McNeill said that the changes made by wigness our more by BHP board's rejection of the offer. Wigmore's is 95-percent owned by Mr. McNeill said that the changes made by Wigmores did not alter the of eight New England high-tech-

Wigmores Wednesday added 1 Australian dollar (\$1.1242) in cash and

an option to buy a Wigmores share for 6 dollars to its first bid of two Wigmores shares for each BHP share

Kaiser Rejects a New Takeover Offer

FONTANA, California (LAT) — Kaiser Steel Corp. has rejected a granted such approval to a small-syz4.8-million acquisition bid by a Tulsa, Oklahoma-based group of investors in favor of an existing, but lower, bid from Minneapolis businessman Irwin L. Jacobs, the company's largest shareholder.

The Kaiser board conceded Tuesday that the offer from a group led by obscure section of the Small Businghapolis industriality LA Enter world are Kaiser.

cash and a correspondingly reduced amount of preferred stock" than the Jacobs offer, which is nominally valued at \$270.8 million. But the board said the Frates group "does not have its financing in place, and its proposal would take at least several weeks longer to Small Business Technology Groups mmate, so there is less certainty of closing the Frates group

BAT Expects Profit to Rise This Year

LONDON (Renters) - BAT Industries said Wednesday that it ex-Boston-based group was set up to pects 1983 attributable profit to increase from last year at a rate well over the British inflation rate, barring adverse currency movements

Market sources noted that the latest year-to-year retail price inflation figure, to August, was 4.6 percent. BAT's 1982 attributable net profit was £454 million, up 25 percent from 1981, on sales of £11.5 billion.

Second-half tobacco results are expected to be appreciably better than in the first half, the company said. BAT said full-year attributable profit from tobacco will nevertheless show some decline from 1982. First-half from tobacco will nevertheless show some decline from 1982. First-half trading profit from tobacco fell to £221 million from £284 million a year Fiber-Optic Deal

Dresdner Bank's Rate Margin Shrinks

FRANKFURT (Renters) - Dresdner Bank has seen a small decline in Railroad Co. agreed to form a venits interest-rate margin (the difference between the rate at which it turn to use the railroad's rights-of-borrows and the rate which it charges for loans) in recent months because way in Texas for telecommunica-FRENCH FRANC of the higher costs of refinancing in the money market, Hans Friderichs, a management board spokesman, said Wednesday.

The bank currently has a margin of about 2.8 percentage points in its parent bank, compared with 2.9 points at the end of June, he said.

Olivetti and Philips in Disk Venture

IVREA, Italy (Reuters) - Olivetti Peripheral Equipment, a subsidiary of the Olivetti office-equipment group, said Wednesday it agreed to develop flexible memory disks with Philips Kommunikations Industrie of West Germany, a unit of the Philips group of the Netherlands.

GERMAN MARK
TOP TO THE TOP TO THE TOP TO THE TOP TO THE TOP THE TOP TO THE TO SMISS FRANCISCO The agreement is intended to permit the development of advanced products and to maintain competitiveness in the international market, a statement by Olivetti said. Memory disks are used with computers to

An Olivetti spokesman said the agreement was limited in scope and mainly involved combining research efforts. Plans for other joint opera-tions were not under consideration, he added.

Coleco Again Delays New Computer WEST HARTFORD, Connecticut (AP) - The due date for the

industrial

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The Table Table

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delivery of Coleco Industries Inc.'s Adam computer has been pushed back again, this time to mid-October, to assure that the units are in perfect working order.

The West Hartford-based company, which already postponed the delivery from late Angust to late September, conceded in Wednesday's editions of the Hartford Courant that the delay may heighten questions

Industry interest has been sharply focused on the timing of Adam's arrival because the new Coleco personal computer is touted as a state-ofthe art item at an exceptionally low price.

which paid interest but froze part J. Vontobel Considers

The official said a variety of approaches were being examined. is considering establishing a base in

These include redemption of \$1.7 New York to handle part of its

central bank and a reduction in the Hans Vontobel, said Tuesday. He

But he ruled out the possibility details of a decision he said was

that the company might go to the announced in July to transform the

international capital markets to bank into a joint stock company.

tive offices of the mountains that

rise above the Venezuelan capital is

And the discussion of the chal-

lenges facing the oil company is

candid, although the top officials who are willing to talk do not want

"The two things — creation of

the special fund in the central bank,

of the liquidity, and the reduction

in export income - have produced

a short-term cash flow problem,"

one executive said in an interview.

billion worth of bonds currently

held in a Petroven account at the

company's tax rate, which on an effective basis is 82 percent of net

raise cash, something it has never

The official said a variety of ap-

worth it.

mcome.

their names used.

U.S. Research Program Wins Antitrust Waiver

By Michael Isikoff

Washington Post Service WASHINGTON - Attorney General William French Smith has pproved an unusual joint venture nology firms that have banded toether to seek Defense Department

The action, announced Tuesday, includes a blanket immunity from antitrust lawsints.

Justice Department officials said it was the first time that they have

Tulsa industrialist J.A. Frates would give Kaiser's shareholders "more ness Act that has not been used before. One official called it "kind of a lost provision of the law." The venture, which is known as

> Inc., was described by officials as the kind of high-technology joint project that the administration is seeking to promote. Formed earlier this year, the

Cable & Wireless.

Compiled by Our Staff From Dispatches

munications trunk system."

Five marketing agents have been indicted by the government on

charges that they sold information

regarding imminent price changes

to other companies and individual

how extensive the degree of corrup-

tion was," Mr. Fuad said. "But the

real concern is that it could involve

more than marketing, and could have influenced winners of enor-

mous refining and upgrading con-

The announcement of the indict-

"I never thought such a thing

ment shocked the public, which

"We won't know for some time

Revenue Drop, Scandal Hurdles for Petroven

(Continued from Page 13) year and next. The country is more Mr. Calderón Berti, the former could happen," said one company

checks before gaining entry. But the breathtaking view from executive who knows all the men involved. "The feeling within the payments this year, and bankers month replaced General Rafael Alinvolved. "The feeling within the involved." The feeling within the company here initially was sur-

terms until the country reaches company since its establishment.

Monetary Fund on an economic Berti arrived just after Petroven

purchasers.

tracts."

above reproach.

agreement with the International

But short-term cash flow is only

one of several challenges facing Mr.

Calderon Berti, the new president.

Setting Up Base in N.Y.

ZURICH - J. Vontobel und

portfolio management for interna-

tional customers, a senior partner,

Mr. Vontobel was speaking at a news conference in which he gave

declined to elaborate.

stabilization program.

U.S. Railroad in

look for government contracts, primarily from the Pentagon, for its member companies. Because the member firms have expertise in complementary areas, the intention is that they would create joint pro-posals for individual contracts, said Karen Hastie Williams, a laywer for the group. Of the eight companies, none has more than 250 employees and some have fewer than

In a prepared statement, Mr. Smith said the group "illustrates the sort of private initiative which the government ought not to discourage. It poses no threat to competition in any market." He also repeated the administration's recent call for passage of

broader legislation that would per-

mit larger competing companies to establish joint research and devel-

opment ventures without fear of The eight members of the group are Coverdale Associates Inc. of Newton, Massachusetts, Data Signal Corporation of Newton, Expedition Electronics of Jericho, Ver-



William French Smith

Upper Falls, Massachusetts, Millitech Corp. of Amherst, Massachusetts, PACER Systems Inc. of Burlington, Massachusetts, Spectral Sciences Inc. of Burlington, and Stratus Computer Inc. of Natick, mont, Geo-Centers Inc. of Newton

China Expected to Win **Entry to Textile Group**

By Peter Griffiths

GENEVA - China, the world's largest textile producer, is likely to succeed in its bid to join the Multi-Fiber Arrangement, which governs most of the world's trade in textiles and clothing, according to trade sources here Wednesday.

During talks this week, the European Community told a Chinese delegation that it welcomed China's application for membership, expected to be made formally in December, and would support it, the sources said.

The Chinese have said that they are prepared to accept without rescomes after the MFA, the sources ervation all the provisions of the arrangement, they said.

Joining the MFA would be China's first major step into the world of multilateral trading arrangements since its membership in the General Agreement on Tariffs and Trade lapsed in 1950.

On Friday, the Chinese group will meet Peter Murphy, a U.S. trade ambassador who, according to diplomatic sources, will tell them

matters worse, direct foreign in-

vestment in developing countries will also drop, to \$11 billion next

year from \$15.4 billion in 1981,

Although loans from multilater-

al agencies such as the World Bank

and the International Monetary

Fund should rise to \$15 billion in

1984 from \$10 billion in 1981, only

the private sector can provide the

large volume of funds needed by

developing countries, through

loans, direct investments and ex-

The report said that developing

countries would need \$141 billion

next year just to pay debt service

and remit profits to foreign inves-

tors. But the countries are expected

port credits, the agency argued.

UNCTAD forecast.

than gaining membership in the MFA, according to trade sources. Nationalist China was a signatory to GATT's establishment in 1947 but withdrew in 1950. Beijing now says that the Nationalists had

that Washington also has no objec-

tion to Beijing's membership in the

arrangement. The Geneva-based

GATT negotiated the MFA in

1974. The MFA has been renewed

several times since then, and the

current arrangement expires in July

Trade sources said that even

such major cotton producers as Pa-

kistan, India and Egypt, which may

fear Chinese competition, are very

They are uneasy that Beijing

might cat into their markets but

would be happy to have its power-

ful support in the debate over what

Third World textile producers argue that the MFA should be

abolished because it is a protection-

ist system and a departure from

At a meeting last week with

GATT's principles of free trade.

GATT's director-general. Arthur Dunkel, the Chinese delegation made it clear that Beijing had no immediate intention of joining

GATT, which would be a much

ionger and more complex process

MANUFACTURERS

HANOYER BANQUE

NORDIQUE

Mr. Nicholas HANDRAS, Vice-

President of MANUFACTURERS

HANOVER TRUST CO., NEW

YORK, has been appointed Directeur-Général-Adjoint of MANUFACTURERS HANOVER

BANQUE NORDIQUE in PARIS.

He was previously in charge, within MANUFACTURERS HAN-

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Division, of the relationships with

French multi-national customers

together with the follow-up for

M.H.B.N.'s activity in France. Mr. Jacques NAUDIN, formerly Directeur Adjoint of MANUFAC-TURERS HANOVER BANQUE

NORDIQUE, and in charge of

the International Department,

has been appointed Vice-President of MANUFACTURERS HAN-

unlikely to object.

Apple - Commodore no right to take China out and that it could resume membership.

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Third World Debt Will Far Exceed Earnings by '85, UNCTAD Reports

By Brij Khindaria

LONDON - Cable & Wireless International Herald Tribune and the Missonri-Kansas-Texas GENEVA - The total debt of developing countries will reach at least \$737 billion by the end of ture to use the railroad's rights-of-1984, far exceeding the countries' tions cables, the British company export earnings, the secretariat of the United Nations Conference on announced here Wednesday. The Missonri-Kansas-Texas will Trade and Development said be the major shareholder, with 70 Wednesday.

to 80 percent of the venture. Cable & Wireless will hold 20 to 30 per-A growing of number of councent and have proportionate repretries will stand on the edge of banksentation on the board. Eric Sharp, ruptcy, placing serious strains on chairman and chief executive of the ability of foreign banks and Cable and Wireless, said, "I hope international institutions to rethis is only the first of a successsion schedule debts, UNCTAD said. It said that debt reschedulings late A fiber-optic cable system will last year and this year may ease pressure from developing countries for a short period but that new e laid along about 560 miles (900 kilometers) of the railroad's rightsof-way connecting Dallas and Houston by way of San Antonio countries are certain to reach the point of insolvency if, as the agency and Austin. Along much of the cable route there will be a capacity expects, the economic recovery in industrialized countries is too weak to bring more export income to the of more than 24,000 voice channels.

"The initial requirement will In its annual trade and developsupplement the railroad's longlines communications needs, which are ment report, UNCTAD says that, currently being supplied by other while the beginnings of recovery in telecommunications systems." Mr. the developed world offer "a glim-Sharp said. "But the fiber-optic ca-mer of hope," developing countries ble system we are planning will face economic and social problems clearly have sufficient capacity to far worse than before.

provide other large users with a The report said the Third high-quality, low-cost digital com- World's medium- and long-term debt is likely to reach \$637 billion

prise, shock - and then relief that

company bylaws, his term should last two years. But there are few

observers here who expect him to

"You cannot say that any man is

dead before he is buried, but politi-

cally it would be very difficult to

keep him," the president of a pri-

Record U.K. Tourism Mark

Reuters

LONDON - Britain earned a

record £4 billion (\$6 billion) from

tourism last year, up 7 percent from

1981 tourism income, the British

million people visited Britain in

1982, up 2 percent from 1981.

But perhaps the most important

For one thing, Mr. Calderón it was dealt with so quickly."

went through its first major scandal this summer, although for the moment, talk about it has died down.

Calderón Berti himself. Under

had come to regard Petroleos de Tourist Anthority said Wednesday

Venezuela as a government entity in its annual report. About 11.6

last that long.

vate bank here said.

by the end of next year, while short-ed, predicting that such lending term loans with maturities of less would fall to \$7.9 billion in 1984 than 12 months should total at least from \$23 billion in 1981. To make \$100 billion.

Although the growth of foreign debt has slowed in recent years, the total is expected to reach 128 percent of developing countries' export earnings by the end of next year, compared with 99 percent in 1981, UNCTAD said.

Even if the countries manage to earn enough to repay their debt, they will remain a long way away from being able to generate large enough export surpluses to become important buyers of Western goods, the agency predicted. The agency estimated that the

U.S. recovery would last no more than 18 months if world demand for U.S.-made products did not increase. At the same time, it said, real interest rates must drop, allowing fuller use of capacity in fac- to run a current-account deficit of

In addition to high interest rates, reduced private bank lending has 1981, makes it impossible for them hurt the Third World's ability to even to service their debt without buy Western goods, the report not- new loans, UNCTAD noted.

at least \$76 billion, which, while less than the \$121-billion deficit of

Weekly net asset value

Tokyo Pacific Holdings N.V.

on September 19, 1983: U.S. \$108.67

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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

MAGNUSON COMPUTER SYSTEMS, INC., a California corporation, aka MAGNUSON SYSTEMS, INC. and

MAGNUSON SYSTEMS CORPORATION,

Chapter 11 Case No. 583-00867-A

NOTICE OF LAST DAY TO FILE PROOFS

OF CLAIM OR INTEREST TO THE CREDITORS OF MACRISON COMPUTER SYSTEMS, INC. AND TO ANY PERSON OR GOVERNMENTAL UNIT THAT ASSERTS A

CLAIM AGAINST MAGNUSON COMPUTER SYSTEMS, INC.:

PLEASE TAKE NOTICE that the United States Bankruptcy Court for the Northern District of California made an order on September 7, 19 that requires all entities that assert claims which arose or which are deem that requires all entities that assert claims which arose or which are deemed to have arisen prior to March 7, 1983, against Magmison Computer Systems, Inc., a California corporation, aka Magmison Systems, Inc. and Magmison Systems Corporation ("Magmison"), whose claim has not been scheduled by Magmison or whose claim has been scheduled as disputed, contingent unliquidated or unknown, and that wish to vote on a plan of reorganization or to share in any distribution in this case, to file proofs of claim or interest on or hefore 4s00 p.m., November 15, 1983. A CLAIM OR INTEREST THAT IS NOT SCHEDULED OR THAT IS SCHEDULED AS DISPUTED, CONTINGENT, UNLIQUIDATED OR UNKNOWN AND IS NOT FILED BY NOVEMBER 15, 1983 WILL BE FOREVER BARRED from participating in this case, from voting with FOREVER BARRED from participating in this case, from voting with respect to any plan of reorganization filed in the Chapter 11 case, and from receiving any distribution under any plan of reorganization; nevertheless, the holder of such unfiled claim or interest shall be bound by the terms of

plan of reorganization if the plan is confirmed by the court.

Claims st. dy for interests represented by Magnuson stock are not required to file proofs of claim or interest. Instead, notices, ballots, and distributions will be sent to the holders of record (as of dates to be subsected.) quently determined by the Bankruptcy Rules or Orders of the Court) as reflected in the records of the stock transfer agent. However, proofs of any and all claims and interest based on transactions in the Debtor's publicly traded securities, including but not limited to claims for damages or rescission based on the purchase or sale of such securities, must be filed by November 15, 1983. ALL PROOFS OF CLAIM OR INTEREST MUST BE FILED BY

MAIL WITH THE CLERK OF THE COURT, UNITED STATES BANKRUPTCY COURT, NORTHERN DISTRICT OF CALIFORNIA, 209 U.S. POST OFFICE BUILDING, ST. JAMES PARK STATION, SAN JOSE, CALIFORNIA, 95113, OR BY DELIVERY TO THE CLERK AT THAT ADDRESS.

Any entity that asserts a claim against Magnuson arising out of the rejection by Magnuson of an executory contract or unexpired lease, or arising out of the recovery by Magnuson of a voidable transfer, or arising out of the incurrence of certain taxes, as described in Bankruptcy Code 502(g). 502(h), or 502(i), respectively, and that wishes to have such claim allowed in this case, must file a proof of such claim with the Clerk of this court within thirty (30) days after the entry of an order approving rejection of the executory contract or unexpired lease, within thirty (30) days after entry of an order or judgment avoiding a transfer, or within thirty (30) days after the relevant tax claim arises, or November 15, 1983, winchover is

Any proof of claim previously filed with the clerk of this court prior to the mailing of this notice shall be deemed to be and shall be treated as a properly filed proof claim subject to the right of Magnuson or any party in interest to object to the allowance thereof. NO ADDITIONAL CLAIM IS

DATED: September 13, 1983.

MURPHY, WEIR & BUTLER Attorneys for Magnuson Computer

UNITED STATES BANKRUPTCY COURT NORTHERN DISTRICT OF CALIFORNIA

MAGNUSON COMPUTER SYSTEMS, INC., MAGNUSON SYSTEMS, INC. and MAGNUSON SYSTEMS CORPORATION,

No: 583-00867-A

NOTICE OF LAST DAY TO FILE PROOFS OF CLAIM OR INTEREST (EQUITY SECURITIES AND RELATED CLAIMS)

SHAREHOLDERS OF MAGNUSON COMPUTER SYSTEMS, INC. WARRANT HOLDERS OF MACNUSON COMPUTER SYSTEMS, INC. PERSONS ASSERTING CLAIMS OR DAMAGES ARISING FROM THE PURCHASE OR SALE OF MAGNUSON COMPUTER SYSTEMS, INC. SECURITIES PERSONS ASSERTING CLAIMS OR DAMAGES BASED ON THE DEBTOR'S LIABILITY FOR CONTRI-BUTION, INDEMNITY, PAYMENT OR TO A CO-DEBTOR ARISING FROM A JUDGMENT, RIGHT OR CLAIM BASED ON THE PURCHASE OR SALE OF MAGNUSON COMPUTER SYSTEMS, INC. STOCK, INCLUDING CO-DEFENDANTS IN BILL ROTHFARB, ON BEHALF OF HIMSELF AND ALL OTHERS SIMILARLY SITUATED V. WILLIAM E. HAMBRECHT, ET AL., NO. C82-1065-WHO; AR-THUR B. CAUSS, ON BEHALF OF HIMSELF AND OTHERS SIMI-LARLY SITUATED V. MAGNUSON COMPUTER SYTEMS, INC., ET AL., NO. C-82-1091-WHO.

PLEASE TAKE NOTICE that the United States Bankruptcy Court for the Northern District of California made an order on September 7, 1983 that requires all persons or entities that assert claims which arose or which are deemed to have arisen prior to March 7, 1983, against Magnuson Computer Systems, Inc., a California corporation, aka Magnuson Systems, Inc. and Magnuson Systems Corporation ("Magnuson"), to file a proof of claim or interest with the court on or before 4:00 p.m., November 15,

YOU NEED NOT FILE A CLAIM IF:

(1) You own Magnuson stock and do not assert any other claim against Magnuson, including a claim for damages arising from the purchase or sale of securities, or (2) Magnuson has scheduled you as a creditor in a fixed, undisputed

YOU MUST FILE A CLAIM IF:

(1) You presently own, or have ever owned, Magnuson stock and assert a claim for damages or rescission based on the purchase or sale of Magnuson stock, whether or not you are participating as a class member in Bill Rothfarb, on behalf of himself and all others similarly situated V. William E. Hambrecht, et al., No. C-82-1065-WHO; Arthur B. Ganss, on behalf of himself and others similarly situated V. Magnuson Computer Systems. Inc., et al., No. C-82-1091-WHO (the 'Class Action'').

(2) You have been scheduled as having a disputed, contingent, unliquil, or unknown claim, or

(3) You assert a claim against Magnuson arising out of your liability for claims arising out of the purchase or sale of Magnuson stock. This includes all defendants in the Class Action who assert any claim against Magnuson arising from or out of the Class Action.

Any person or entity who is required to file a claim under the court's order of September 7, 1983, who fails to file a claim by November 15, 1983, will be forever barred from participating in the Chapter 11 case, or receiving any distribution under any plan of reorganization, and will be be bound by the terms of any plan of reorganization if the plan is confirmed by

ALL PROOFS OF CLAIM OR INTEREST MUST BE FILED BY MAIL WITH THE CLERK OF THE COURT, UNITED STATES BANK-RUPTCY COURT, NORTHERN DISTRICT OF CALIFORNIA, 209 U.S. POST OFFICE BUILDING, ST. JAMES PARK STATION, SAN JOSE, CALIFORNIA, 95113, OR BY DELIVERY TO THE CLERK AT THAT

IF YOU ASSERT A CLAIM AGAINST MACNUSON BASED ON TRANSACTIONS IN MAGNUSON'S STOCK, INCLUDING CLAIMS FOR DAMAGES OR RESCISSION BASED ON THE PURCHASE OR SALE OF SECURITIES, YOU MUST FILE A CLAIM EVEN IF YOU ARE PRESENTLY INCLUDED IN THE CLASS ACTION NOW PEND INC IN THE UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF CALIFORNIA, ENITILED BILL ROTHFARB, ON BEHALF OF HIMSELF AND ALL OTHERS SIMILARLY SITUAT ED V. WILLIAM E. HAMBRECHT, ET AL., No. C-82-1065-WHO; ARTHUR B. GAUSS, ON BEHALF OF HIMSELF AND OTHERS SIMILARLY SITUATED V. MAGNUSON COMPUTER SYSTEMS, INC., ET AL., No. C-82-1091-WHO.

DATED: September 13, 1983.

MURPHY, WEIR & BUTLER Attorneys for Magnuson Computer Systems, Inc.



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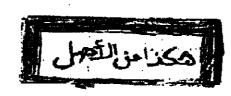
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New Proposal

By Marilyn Odchimar

MANILA - Philippine car as-

semblers have proposed a "survival

of the fittest" option to the govern-

ment's move to cut their numbers

The alternative was proposed

this week to the Board of Invest-

ments by participants in the gov-

form the companies of his decision

Under the government program, cars are assembled from imported

and local parts by Ford Philip-pines, General Motors Filipinas

and local assemblers that have ties with Toyota, Mitsubishi and Nis-san. The 10-year-old program is

designed to save money, upgrade

technology, generate exports and

provide reasonably priced cars. The change in participation was ordered last month by President

Ferdinand E. Marcos to save for-

eign exchange, but, industry sources said, efforts by the assem-

blers to form joint ventures ran into

The Board of Investments direct-

ed the assemblers to submit bids to

determine who would be dropped,

but the draft guidelines for the bid-

ding generated misgivings, industry officials said. It is especially feared

that winning bidders would buy out plant and equipment of losers.

financial and legal problems.

Ford May Join Lawsuit To Block Joint Venture Between GM and Toyota

By John Holusha New York Times Service

DEARBORN, Michigan — A top official of Ford Motor Co. says that Ford might join with other U.S. anto companies in filing an antitrust suit to block a proposed ioint venture between General Motors Corp. and Toyota Motor Corp.

Harold A. Poling, Ford's executive vice president for domestic automotive operations, said Tues-day, "An antitrust suit is one alternative that would have to be considered" if the Federal Trade Commission approves the tie between GM, the world's largest auto company, and Toyota, the third-largest. Ford is the second-largest

Until now, opposition to the joint venture, which is to produce Toyota-designed subcompacts at GM's Fremont, California, assem-

the River Rouge manufacturing complex over the next year.

As Ford had apparently expect-

tions on the mill. Workers at Rouge Steel are scheduled to vote later this week on a contract that reportedly contains \$4.50 an hour in wage concessions. Workers there now earn about \$27 an hour.

Speaking to reporters at Ford's annual new product introduction, Mr. Poling predicted that auto sales next year would increase 12 to 15 percent over 1983, to between 10.3 and 10.5 million cars. General Motors has predicted sales of 10.3 million in 1983. Chrysler has predicted that the market will not go much over 10 million.

The truck market, Mr. Polins added, will increase from 15 to 18 percent during the year, and he said Ford would sell a total of about 3 million vehicles in 1984, compared with an estimated 2.8 million this

In addition to criticizing GM's Ford would consider shifting proventure with Toyota, which he dobly plant, had been led by the scribed as a "clear violation of antitrust laws," Mr. Poling was also Mr. Poling also said Ford would critical of recent suggestions by F.
"like very much" to retain its James McDonald, the president of Rouge Steel subsidiary if it can be GM, that Japanese import quotas made profitable. Last week the be loosened next year to allow GM company said it was planning to to add imports from its Japanese close the operation at the heart of affiliates, Isuzu and Suzuki.

Mr. Poling also said the GM strategy of relying on Japanese sources for small cars would put ed its earlier announcement about Ford, which produces its Escort-Rouge prompted the United Auto-nobile Workers to resume negotia-a severe cost disadvantage. He said



Harold A. Poling

Ford introduced two new diesel engine options Tuesday, despite a decline in popularity of diesels in general. Both engines are imported. One is a 2.0-liter, four-cylinder engine made by Japan's Toyo Kogyo Co. for smaller cars; the other is a 2.4-liter, turbocharged, six-cylinder engine for luxury models from West Germany's BMW. Ford officials say they expect to sell 20,000 to 25,000 diesel-engined cars in

slightly in July to \$209.8.

Martin S. Feldstein, chairman of

the President's Council of Econom-

ic Advisers, said in a talk to the

Mortgage Bankers Association of America Tuesday that the fiscal

1983 budget deficit would be "about \$200 billion." Later, he told

reporters that a reduction of \$10

billion made "not much of a differ-

horrendous."

John Sagovac, Ford Philippines' managing director, said that condi-tion would make it difficult for assemblers to prepare the bids, which are due Nov. 15. He pointed out that foreign-owned companiesare not allowed to own land, so if

Ford won it would have trouble buying the assets of losers. billion. In April, it raised the figure In addition, the Nissan unit's president, Vicente Mills, described the export requirement as heavy. The guidelines stipulate that foreign exchange outflow for imports of car assemblers must be equiva-

lent to inflow from exports. In their counterproposal, the assemblers said the bidding procedure should be scrapped in favor of a three-year "natural weeding-ont" competition starting next year.

ence." The deficit, he said, is "still The assemblers agreed to conform to guidelines on foreign ex-A deficit of \$190 billion remains change that would progressively reso enormous - at more than triple duce funds allocated by the the level of the Carter administragovernment to each company, tion's last figure — that it would reaching zero in 1987. They prostill aggravate the "crowding out" posed to increase export earnings phenomenon that mainstream economists see developing in the foreign exchange earnings would financial markets late next year or have an edge in competition.

Industry sources said that, if the This development, about which assemblers' proposals were adoptthe Treasury and the White House ed, Ford Philippines was likely to are skeptical, would result if the survive. From 1976 to June 1983, its net export income was \$58.9 revenues running higher than fore- tors, which averages the forecasts nance the budget deficit forced up million from export sales of \$107.5

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Economists Say Budget Deficit of U.S. Likely to Fall Below Recent Forecasts

By Peter T. Kilborn

New York Times Service WASHINGTON — This year's federal budget deficit will fall somewhat below the \$210-billion level that most government and private economists had been expecting only two months ago, the

For fiscal 1983, which ends Sept. 30, economists now see a deficit of \$195 billion to \$200 billion. The figure would still be close to double last year's record \$107 billion, and economists doubt that the lowered estimate will substantially improve the outlook for interest rates and the economy in general.

Nevertheless, there may be some

political benefit for the administraion if the deficit falls short of \$200 been staving off proposals to shrink the deficit by raising taxes and may find a talking point in ren a small decline in the delicit. post new figures soon showing a The modest improvement in the \$198.7-billion deficit. even a small decline in the delicit.

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Wyss, Data P sach in

"The September flurry of checkwriting just doesn't seem to be happening this year," he said. Agencies often attempt to spend available cash because, once the new fiscal year begins Oct. 1, some programs are not allowed to carry over un-

at funds, which they lose. With employment expanding vigorously since the recession ended early last winter, the government has realized an unexpectedly strong gain in receipts from withholding taxes. At the same time, it is disbursing somewhat less for antirecession spending, such as unemployment benefits.

new forecast for the economy, to be published Monday. Mr. Wyss said would show a deficit of \$194 billion, about the same figure that some Treasury Department economists expect. Another forecaster, Allen Smai at Lehman Brothers Kuhn Loeb in New York, will re-

cast because of the strong econom- of about 40 economists, projects a interest rates. ic recovery, and outlays lagging a deficit of \$195 billion, and the Congressional Budget Office revised its "The administration is putting pressure on the agencies to spend as little as possible," said David A. running quite low," said Rudolph

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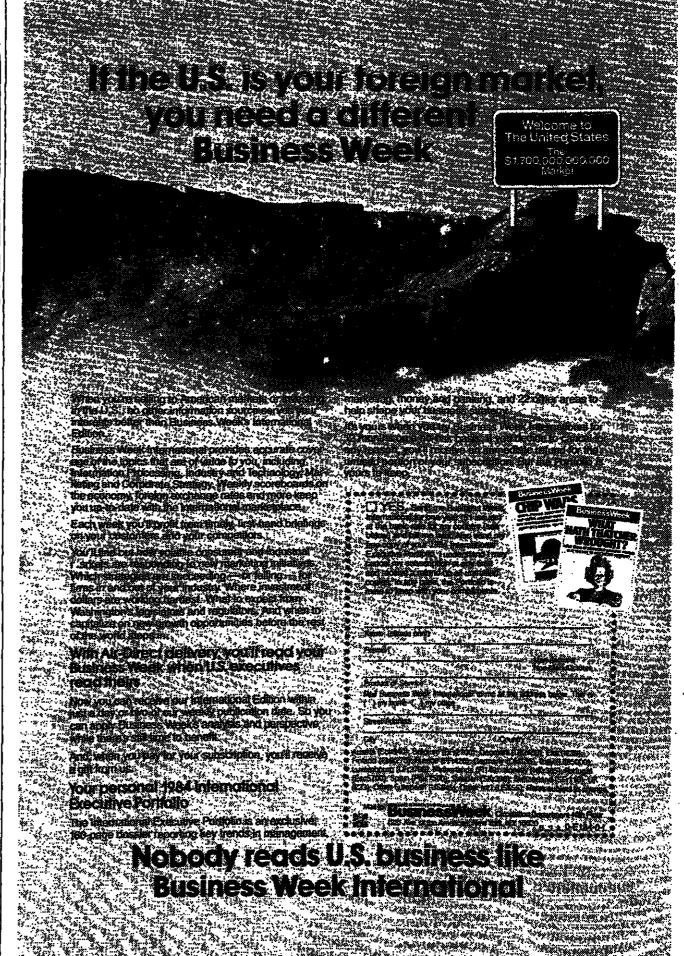
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, chief financial economist at	G. Penner, director of the budget	September 21 1983
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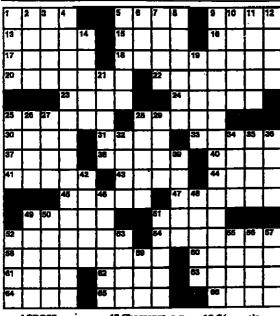
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AL-MAL MANAGEMENT CO. S.A.

Over-the-Counter NASDAQ National Market Prices turing program. The board chairman, Roberto Ongpin, prom-ised to study the proposal and in-



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O New York Times, edited by Eugene Maleska.

HOW COME HAVING PUN MAKES YA SO TIRED ?"

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YOU PEOPLE DON'T

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KNOW HOW TO MAKE



I WANT IT CRISPY ON THE OUTSIDE AND TENDER IN THE

MIDDLE!









BEETLE BAILEY SARGE, IS IT "FEED A COLD AND STARVE A FEVER" OR THE OTHER WAY GOOD AROUND?

YOU'RE ASKING OLD FEED A FEVER, FEED A COLD"?



























All ordinaries index: 714.90 Previous: 715.70 Tokyo

BOOKS

EISENHOWER: Volume I; Soldier, General of the Army, President-Elect, 1890-1952

By Stephen E. Ambrose. 637 pp. \$22.95. Simon and Schuster, 1230 Ave. of the Americas, New York, N.Y. 10020.

Reviewed by William S. McFeely

Y OU have made history, great history for the good of mankind," wrote George C. Marshall, "and," he continued, "you have stood for all we hope for and admire in an officer of the United States Army." When Stephen E. Ambrose pronounces as "earned" this famous tribute to Dwight D. Eisenhower, one senses that he, like Marshall, put even greater store in the second half of the sentence than in the first. Eisenhower, the soldier, and Ambrose, a scholar of soldiering, are splendidly matched; this strong biography belongs to that wing of the genre in which the subject, by no means uncritically rendered, represents all that the author most honors.

And yet, in this account of one of America's most famous soldiers in the years before he resigned from the Army, one is struck by how little soldiering Eisenhower ever did. Although commissioned in 1915, after four years at West Point, he did not make it to France in World War L After serving time in the 20s, he was forced to be Douglas MacArthur's lackey in the '30s, first in Washington at the time of the disgraceful attack on the Bonus Marchers' camp and then at the imperial outpost in Manila. Concealing his contempt for his commander, Eisenhower learned from MacArthur the need to be political and also precisely how not to go about that politicking.

When World War II presented immense opportunities and responsibilities, he swiftly vaulted past any but contrived links to the battlefields and the men who fought on them. He did not know, first hand, the boredom and exhilaration, the fear and affection experienced by soldiers fighting.

Comparisons are frequently made of Eisenhower's career with that of another West Point war hero who was the other Republican to hold two full terms as president, Ulysses S. Grant. The familiar rendition casts the two as men of action who were articulate about war and not about peace, and who were as inept as presidents as they were supremely confident as generals. Beyond obvious parallels, the two men were, however, greatly different. There was in Eisenhower's patiently conducted career none of the failure and despair of Grant's. And what was more, there were no youthful dashes on horseback through enemy fire in Mexico, nor any stepping into battle as the

colonel of a regiment of raw recruits in the Missouri countryside.

Like Eisenhower, Grant, with a strong sense of the whole, commanded a huge network of armies over a vast area, but his was a war of rifles and of Americans. Eisenhower, in conrifles and of Americans. Eisenhower, in cuntrast, was the entrepreneur of a great, technologically sophisticated multinational enterprise. Ambrose's study makes it clear that largely he left the fighting to others, including most successfully, Omar N. Bradley and George S. Patton Jr., and spent his own time conducting diplomatic salesmanship with such toneh and exceedingly diverse customers as tough and exceedingly diverse customers as Winston Churchill, Franklin D. Roosevek, Charles de Gaulle, and their contentious deputies. In his conduct of the European war, one of Eisenhower's many major contributions was to remember that Germany was the enemy. He had no appetite for converting World War II into World War III with lunges against the Russians to the east, and he restrained soldiers, like General Patton, who had.

Eisenhower was less like the soldier-presidents of the 19th century than like the corporate chief executive officers of the 20th. When the war was over, no one should have been surprised that it was with these men that he chose to relax — and to win the presidency. Even Ambrose feels the need to explain the compatibility of the general and businessmen (he wonders which side was "awestruck") when, in fact, they were birds of a feather: "men who had proved themselves, who thought big, who handled big problems successfully, who knew how to organize and produce allowed the second and produce and produce and produce allowed the second and produce allowed the second and produce duce, who exuded self-confidence." And, Ambrose might have added if he were more critical of this world, so remote from the basic small particularities of life that they scarcely knew why they were lonely. At the book's close, even with the White House to keep his toothbrush in for eight years, Ambrose's soldier hero is doomed to the country club.

On June 19, 1945, Harry Truman wrote to Bess that "Eisenhower's party was a grand success. I pinned a medal on him in the afternoon. He is a nice fellow and a good man. He's done a whale of a job. They are running him for President, which is O.K. with me. I'd turn it over to him now if I could." Stephen Ambrose's fine chronicle of the able World War II and NATO commander documents that assessment and his second volume on the presidential years promises to do much to buttress the concept of the more effective "new Eisenhower," but the more the author tells us, the more we are reminded that Truman changed his mind.

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William S. McFeeley, author of "Grant: A Biography" and Rodman Professor of History at Mount Holyoke College, wrote this review for

BRIDGE

By Alan Truscott

THE rubber bridge player who thinks about the opening lead is sometimes joc-ularly urged to "lead the one nearest your thumb." Unless lead. A diamond was clearly South would have ruffed it nearest your thumb." Unless you have a highly intuitive thumb it is wise to use your head instead, even if it means taking a little time.

Few opening leads in recent tinue trumps at the second trick — a difficult and potenyears have been quite as portentous as the one on the diagramed deal. tially disastrous decision.

The opening bid of one noand North jumped to three diamonds with a hand that was even weaker in high cards but distinctly stronger in distribu-

East tried three no-trump, hoping that his club suit would run and that his partner could stop the diamonds. He was wrong in the second part, but the fates would have come to the rescue in the shape of a

With this aid from the fates and a winning spade finesse, partner won and shifted to a West would have made exactly

Clese 1.20 0.35 1.49

three no-trump. But it was left the dummy in a useless South's turn to bid, and he, not condition. When the smoke unnaturally, tried four spades. had cleared, South had scored West doubled with some, five trump tricks and a trick in

If West had led the club ace, South would have ruffed in unwise and would have been dommy, led to the diamond fatal. The spade ace was a posace, ruffed another club and sibility, but if he had made that thrown his last club on the diaselection, West would have had to judge the need to conmond king.

In the replay, a much quieter auction left North playing in three diamonds and making an overtrick.

north Q 19987 ◆KQ109642 SOUTH ◆ K 1996543 ○ K O ◆ A ♣732

West decided to lead one of The club ace might seem obvious, in order to inspect the dummy, but there was a risk. Both opponents had shown highly distributional hands and there was likely to be a void somewhere. East would have shown a long heart suit, but was very likely to have club length when he chose to bid. three no-trump rather than In the end, West made the

JUMBLE THAT SCRAMBLED WORD GAME
by Henri Amord and Bob Lee Amsterdam BASE Bayer Hype Bayer Hype Bayer Hype Bayer Hype Bayer Verain Comit. German Dollmer Degussa Demog D. Babookt Bis Denog D. Babookt Bis Denog Denog Deutsche Bis De COULD IT BE ABN
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Solution to Previous Puzzle

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Clear Control of the



Other Markets

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Johannesburg

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Noon Previous

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Japan Robot Force to Grow

TOKYO — The value of robots produced in Japan will increase to 600 billion yen (\$2.49 billion) in 1990 from 78 billion yen in 1980,

Kanji Yonemoto, executive director of the Japan industrial robot

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Closing Prices in local currencies

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Canadian Stock Markets Prices in Canadian cents unless marked \$

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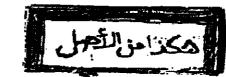
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SPORTS

Misseum country side Australia II Beats Liberty to Cut Gap to 3-2 in America's Cup of the whole, committee with the Committee with the committee with the committee of the whole, committee with the committee of the whole, committee with the committee of the whole, commit



John Bertrand, left, the Australia II skipper, and Alan Bond, the Australian syndicate head, discussing strategy at dockside in Newport. The victory Wednesday left them trailing 3-2.

NEWPORT, Rhode Island --Challenger Australia II overcame a

over the U.S. defender Liberty. The margin of 1 minute, 47 secbest-of-seven series made unpredictable by equipment problems on both boats and a haffling departure from form.

The sixth race on Rhode Island Sound is scheduled for Thursday. The Australians are the first challengers since 1934 to win two races in a series against the Americans. In 25 defenses since the schooner America first won the races. Cup in 1851, the challenger has never won, and no series for sailing's oldest trophy has gone be-

Australia's victory Wednesday came in the heavy air conditions Liberty previously dominated. The Americans experienced equipment trouble, just as the Australians had in losing the first two

races last week. Dennis Conner, Liberty's skip-per, had a mast problem before the the protest flag, but that quickly start and had to send a chase boat back to the dock for replacement

It took about 45 minutes to make erty still hadn't hoisted her jib, the port.

from the bow to the mast.

The problem was a spreader premature start and staved off one of the devices holding up the elimination in the America's Cup mast - that was damaged while with an easy victory Wednesday the yacht was towed from her berth to the course. United Press International reported. While she was still onds, cut Liberty's lead to 3-2 in a sailable and able to tack, the mast problem slowed Liberty down.]

Once under way, the U.S. boat appeared to be heeling more than the challenger, leaning over under wind pressure, with a pronounced bending of the mast toward the aft. Conner appeared to be getting less advantage from the 18-knot winds and lumpy, two-to-four-foot seas in which he had won the first two

Australia II's skipper, John Bertrand, who misjudged the start in Tuesday's pivotal loss, did it again

Wednesday.
He crossed the line too soon and had to circle back and start over. By the time he got there again, Liberty was 37 seconds ahead, a huge advantage and the fourth time in five races Conner had won the

Bertrand immediately hoisted

Conner, whose knack for finding the wind shifts had been the most noticeable difference in the series, repairs, crewmen scrambling aloft, sailed far to the right side of the and when the gun sounded signal- course, leaving Australia II alone to ing 10 minutes until the start, Lib- pick up a 10-degree wind shift to-

small, triangular sail held on a stay Bertrand took full advantage and catapulted into the lead, never

He led by 23 seconds at the first mark, 4.5 miles into the race on the 24.3-mile triangular course.

Bertrand held that margin after the second leg, a crosswind reach where Liberty had been superior in earlier races, and still led by 18 seconds after the third leg, also a

Rounding the fourth mark, it was Australia II by a safe 1:11, and there was no catching her as the wind diminished to 10 to 15 knots. Turning for the final beat up-wind, the Australians led by 52

The victory, which took 3 hours, 29 minutes and 13 seconds, destroyed what was left of any form chart for this series, which saw Australia II advertised as the most serious threat yet to take away the Cup and break the longest winning streak in sports. Australia II, in fact, was favored by British bookmakers.

Each of the 12-Meter yachts has won one race in light-to-medium wind, which was supposed to favor the lighter and more maneuverable Australia II.

And equipment problems clouded the races in heavier wind. Besides Liberty's problem Wednesday, Australia II broke a steering pulley in the first race and lost her mainsail headboard in the second.



On Tuesday, Liberty's skipper, Dennis Conner, right, was jubilant after the third American victory of the series.

Vikings Get Manning, Casper From Oilers

The Associated Press

MINNEAPOLIS - The Minnesota Vikings have acquired Archie Manning, a veteran quarterback, and Dave Casper, a tight end, from the Houston Oilers in exchange for two undisclosed 1984 draft choices.

The Vikings (2-1) had been looking for a quarterback since Sunday, when their starting quarterback, Tommy Kramer, tore a ligament in his right

knee in Minnesota's victory over Tampa Bay. The Vikings' general manager, Mike Lynn, said the National Football League team had given up a high and middle-round draft choice Tuesday for

Manning and Casper. "They're both established players," said the

Minnesota coach, Bud Grant. "We went for the best that was available. I'm sure they both will fit into our system."

Manning, 34, is a 13-year veteran who was acquired by the Oilers a year ago from New Orleans. He won the starting job this season over Gifford Nielsen, but last Sunday, in Houston's 40-28 loss to Pittsburgh, Manning threw four interceptions and lost a fumble.

Casper, 31, went to Houston in 1980 in a trade with Oakland. The 10-year veteran led the Oilers last year in three categories — receptions (36), most yards receiving (573) and scoring (36 points on six touchdowns) - but he has been hampered this season by a back injury.

By Kevin Dupont

Ten 10 U.S. wrestlers and three officials arrived Tuesday in Kiev, Wrestling Championships.

whom are expected to compete in the 1984 Olympics, are the first American athletes to enter the Soviet Union since the shooting down of the jetliner Sept. 1.

ball series scheduled at seven American colleges in November.

pic Games in Los Angeles.

on this when the deadline isn't until

"We have to know what kind of conditions will be created in L.A." sire that facilities be on a par with what Moscow presented for the. 1980 Games "in the sense of transportation of the athletes to compe-

cotted by the United States in opposition to Soviet intervention in Afghanistan The American wrestlers who ar-

rived in Kiev were originally scheduled to fly into Moscow from the United States. But they could not be booked on the few airlines that have not boycotted flights into the Soviet Union and instead flew to

"To my way of thinking, sports means nothing in comparison to peace and survival throughout the world," said Holzer, 45, a member of the 1968 U.S. Olympic wrestling team. "It was important for me to go, there were a lot of meetings to attend, but after 10 days of agonizing over it I just couldn't do it. The Soviet government, in this incident,

"And I realize that my not going is not so significant. But someone has to do something. Someone has to say something. This is a time that

has shown itself to be a brutal dic-

something." Nonetheless, plans for American

conditions for competition." Mikoyan then detailed areas of Union remain unchanged. Two sion and disarray in the athletic concern that his government has more groups of American athletes exchange programs between the expressed about participating in soon will visit the Soviet Union to said Mikoyan. He expressed a de-month in Moscow. Later in the

> "I don't approve, or condone in tition sites ... the living quarters ... the judging of competition." He added, "Security is also one of the

> > make. I'm going." As for the security of athletes in

agent in charge of the Federal Bureau of Investigation in Los Angeles, said the overall number of security personnel for the Olympics would be in the thousands. But Bretzing would not say if he felt security personnel might face any w problems after the downing of

"My problems in that area probably should remain unexpressed," said Bretzing. "That's an issue involving countries, one that doesn't need an FBI official in L.A. commenting on it."

ed from Moscow. "At present, when official au-

thorities encourage anti-Soviet ac-

and Philadelphia, had canceled games after arena operators said they would refuse to allow the Soviet team into their buildings.

NCAA Is Urged to Bar Freshmen in 2 Sports

KANSAS CITY, Missouri College freshmen should not play football or basketball and schools ought to issue "report cards" on how their athletes perform in the classroom, a blue-ribbon NCAA (5), Decker (7) and Kennedy, Bothy (6); Colvert McGaffigan (7) and Brenly, W—Calvert committee says.

nest year's NCAA convention.

Gullickson Does It All as Expos Rout Cardinals Compiled by Our Staff From Dispatches the Mets. 4-0. McWilliams (15-6) ton's Nolan Ryan (14-8) gave up triples, two home runs and two MONTREAL—Bill Gullickson struck out a career-high 11, includ-four hits and struck out seven in six walks. Baltimore's Dennis Marti-

coasted to his 16th victory Tuesday night and drove in two runs with

The triumph, the Expos' fourth straight, kept them in a secondplace tie with Pittsburgh in the National League East, two games behind Philadelphia. The Cardinals fell eight games behind with 11 to

Gullickson also had a run-scor- 14 runs batted in. ing single in the seventh inning as the Expos took a 9-1 lead.

Pirates 4, Mets 0

pitched a two-hitter and Dave drove in six runs in Houston's 15-2 Parker homered as Pittsburgh beat victory over the Dodgers. Hous- The Tigers had seven singles, two 7, to end a 10-game losing streak. his 248th career victory.

Standings

Phillies 8, Cubs 5

In Philadelphia, Joe Morgan

hit a three-run double and Jose In New York, Larry McWilliams Cruz hit a bases-loaded homer and

six runs in 1% innings.

Giants 8, Padres 1

In San Francisco, Darrell Evans went 4-for-5 and drove in three hit a two-run single in the first inning and Mark Calvert and Andy McGaffigan pitched an eight-hitter as the Giants beat San Diego, 8-1.

> troit, the Tigers tied a major-league record with 10 consecutive hits, a feat last accomplished 53 years ago, as they blasted Baltimore, 14-1, in a game ended by rain after five innings. The second game of the doubleheader was rained out. The Tigers moved within 61/2 games of the Orioles in the AL East.

up 16 batters in the first inning.

fore being relieved by Jim Palmer. Five other teams have had 10 straight hits in an inning. The last

was the 1930 Brooklyn Dodgers. Yankees 3, Red Sox 2

In Boston, John Montefusco won his third straight American League game, with relief help from Rich Gossage, as New York beat the Red Sox, 3-2. Montefusco (3-0), acquired from San Diego on Aug. 26. allowed two runs before being replaced by Gossage with one out in the seventh. Gossage struck out Jim Rice and Tony Armas on six pitches and gained his 21st save.

Brewers 11. Indians 7

In Cleveland, Ted Simmons's eighth-inning infield hit scored Robin Yount from third with the go-ahead rum and Ben Oglivie fol-

Blue Jays 7, Mariners 3 In Toronto, Willie Upshaw hit a

two-run single and Jorge Orta and Lloyd Moseby each drove in two runs as the Blue Javs defeated Seattle, 7-3. Upshaw became the first Toronto player to drive in 100 runs in a season. Dave Stieb (16-12) allowed nine hits and struck out five in pitching his 13th complete game.

Rangers 3, A's 2

In Arlington, Texas, the Rangers scored three runs in the bottom of the ninth, including two on Bobby Jones's first home run of the season, to beat Oakland, 3-2. Charlie Hough (15-12) pitched his 10th complete game this year.

Angels 6, Royals 4

In Kansas City, Missouri, Doug DeCinces doubled in two runs during a three-run first as California defeated the Royals, 6-4. Kansas City committed six errors, two at third base by Onix Concepcion, for lowed with a two-rum pinch double three unearned runs. Tommy John as Milwaukee beat the Indians, 11- (11-12), who allowed 11 hits, won

Russia's Doors Open to U.S. Athletes, **But Soviet Role in Olympics in Doubt**

New York Times Service NEW YORK - The downing of the South Korean civilian airliner three weeks ago has led to confu-United States and the Soviet the Games at Los Angeles.

In spite of the strained relations, the Soviet Union has kept its doors open to visiting American athletes. But because of negative American reaction and its own cancellations, the Soviet Union has lost opportunities to compete in coming athletic events in the United States.

24 hours after leaving Budapest by train, to challenge the Soviet Union and 25 other countries in the World The American wrestlers, many of

Soviet athletes are not being extended the same welcome. Public opinion last week forced the cancellation of a U.S.-Soviet basket-

The Soviet Union, not citing the etliner incident directly, last week reversed decisions to attend two skating and rowing events in the United States. And on Wednesday, it canceled a planned U.S. tour by a Soviet ice hockey team. A Soviet women's volleyball team, however, is still expected to make a five-

game U.S. tour next month. The changes in plans have raised the question of whether the Soviet Union will attend the 1984 Olym-

Vladimir Mikoyan, a press secretary at the Soviet Embassy in Washington, said there has been no official word from the Soviet government regarding the Games in Los Angeles, scheduled for July 28 to Aug. 12.
"Why should we make a decision

Transition fenseman, to Letterlage; Dave MacLeon. right wing, to Balleville; and Joe Reekle, de-

Lance McCullers. Ed Wojne and Marty Deck. er, etichers, from Philadelphia to complete

BASKETBALL word. Waived their rights to match any offer tor free agent James Siles, guard. FOOTBALL .

CHICAGO-Cut Oliver Williams, wide re iver. Placed Revie Sorey, guard, and Jerry uckensturm, itaebacker, on the injured reserve list. Signed Dovid Simmons and Kelvin

LOS ANGELES RAIDERS-Activolet Shelby Jordon, offensive tookle, Placed Jim Romana, center, on the Injured reserve list, PITTSBURGH—Placed Eric Wildoms, de-fersive back, on the injured reserve list. Acfi-vated Grep Sest, defensive back, SAN DIEGO—Announced that LeRey

National Hockey League

HARTFORD—Signed Randy Comeron, de-

June?" said Mikovan. "We will make that decision when the site is ready and we can assess the total

subjects of our attention." The Moscow Games were boy-

Missing from the American contingent will be Werner Holzer, the president of U.S.A. Wrestling. Holzer, the leading spokesman for the sport's governing body in this country, said he canceled his plans to attend as a protest against the Soviet downing of the jetliner.

maybe if everyone felt the same

ard Zemiak to Montana of the Central Hocks League, Assigned Scutt Machel, right wing, to the Calgary Wranglers, Released Daryl

en, to North Boy, Assigned Danis Doro

HODSE RACING ILLINOIS RACING BOARD-AR the resignation of Charles E. Schi non, effective Oct. 1. . SOCCER Major Indoor Soccer Le

Kuntz and Pierre Hamel, got

NCAA-Announced that West Virgi COLORADO STATE AN

way, if everyone did some little thing, then maybe it could change

athletes to travel to the Soviet compete in world championships. athletes, plans to compete next month, the American weightlifting team plans to compete in the Soviet

any way, what the Russians did," said Bob Berland, a student at San Jose State University who will compete in the 189-pound class with the U.S. judo team. "But I also don't think it's right to use sports as a political leverage — within our country or any country. There is absolutely no decision for me to

Los Angeles, that task will be the responsibility of private personnel hired by the organizing committee, as well as city, county, and federal law officers. Richard T. Bretzing, the special

the South Korean jetliner.

Hockey Tour Is Off

The Soviet Union cited safety fears Wednesday in announcing cancellation of plans for an ice hockey team to travel to the United States in December for matches against the U.S. Olympic squad. United Press International report-

tions, there are serious fears that proper safety may not be ensured for Soviet players during their stay in the United States." Tass said Officials in two of the six participating cities on the tour, Detroit

and Sundberg, W—Hough, 1: 2-4. HR—Texas, Jones (1).

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916 910 909— 2 6 sck (7) and Ashby; A, Pen

Hooton (2), Zachry (2), Rodos (3), White (4)

The Associated Press

The report of the Select Committee on Athletic Problems and Concerns in Higher Education now goes to the NCAA Council, which appointed the 16-member panel. The council will decide whether to place the recommendations before

ing Darryl Strawberry three times, innings. Alejandro Pena (12-7), nez (7-15) was charged with seven and allowed no walks. It was his who entered the game with the runs in one-third of an inning behis first major-league homer and a seventh victory in eight decisions league's best earned-run average single to lead the Montreal Expos since the All-Star break. Mike among starters, saw his jump from to a 10-1 rout of the St. Louis Easler drove in two runs with a 2.18 to 2.40. He was charged with double and a triple.

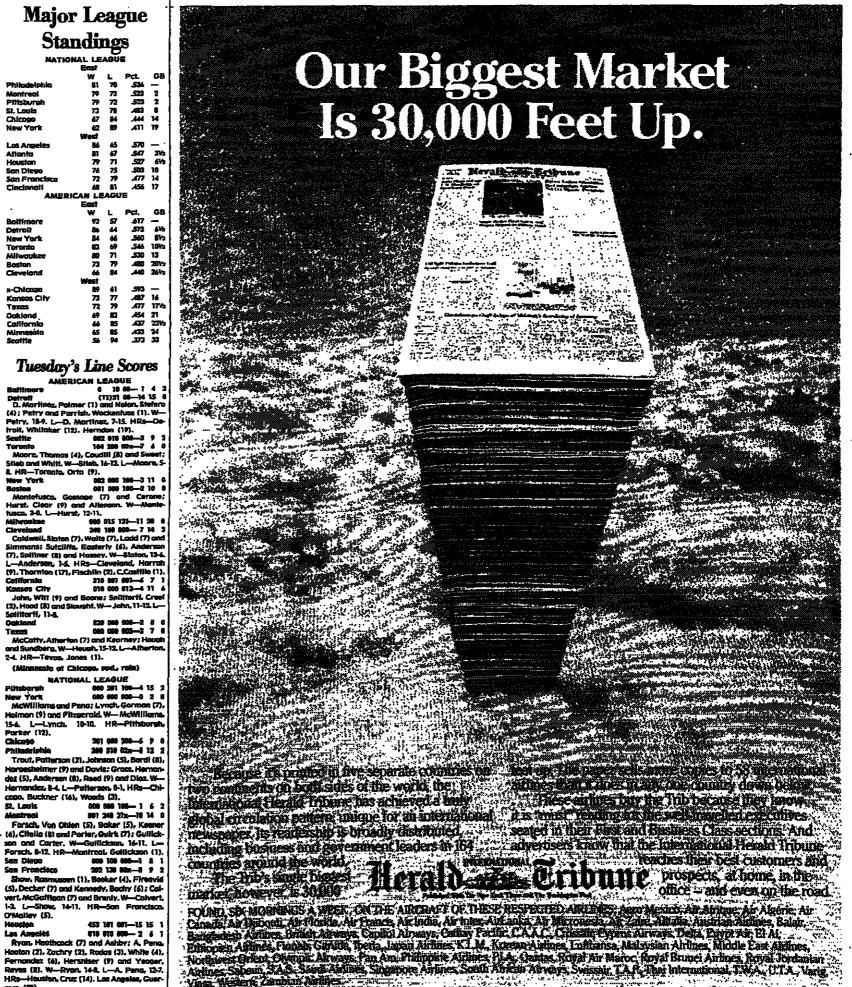
BASEBALL ROUNDUP

runs as the Phillies defeated Chica-Gullickson (16-11) allowed six go, 8-5. Willie Hernandez (8-4), hits, walked one and struck out five who pitched three innings in relief in pitching his 10th complete game. and allowed three hits and two He homered down the left-field line runs, was the winner. Morgan, who in the third inning off Bob Forsch has eight hits in his last 10 at bats, (8-12) to give the Expos a 1-0 lead. is batting .327 in September with

Astros 15, Dodgers 2 In Los Angeles, Denny Walling

Tigers 14, Orioles 1 In the American League, at De-

Detroit scored 11 runs and sent



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ART BUCHWALD

How to Keep the Peace

WASHINGTON — The most can only do this by remaining in the Beirut airport area." you send men into combat is explain to them why you want them

I would hate to be the briefing officer on a U.S. Marine amphibious ship explaining to the troops why they are being send into Bei

"All right, men, let's knock it off. I am here to explain your mission

for the next few months. You are being sent into Beirut as a peacekeeping mission. Any

questions?"
"Yes, sir. What's a peacekeeping mission?

"It is a mission by which a neutral power stations troops in a volatile area to keep the various factions from killing each other until a government can become strong enough to defend itself. Now you people will take up positions around the Beirut airport down here on the low ground. Up here in the hills overlooking the airport are members of the Druze sect armed with heavy artillery, mortars and snipers. Over here are the Christian Phalangist militia, also heavily armed. The Christians are also in this part of Beirut next to the airport, and Moslem forces, not to be confused with the Druze, have control of this part of Beirut here. Intelligence also indicates there are a thousand PLO troops who returned to the area since Israel pulled out of the city to this position down here. Is that clear?"

"Sir, are we supposed to keep the peace between all of them?" "That's your mission. But you

Champagne Dancing

The Associated Press NEW YORK - American Ballet Theater said that the makers of Don Perignon champagne will donate \$200,000 in support of opening night "Cinderella" fund-raising galas for the manually ballet company in six U.S. cities, starting with the ballet's premiere in Washington in December.

"If they all have the high ground and we have the low ground, how do we keep the peace?

You will not be alone. We have a large naval task force off the beaches that will cover you." "Cover us from what?"

"Artillery and mortar fire, from the hills, as well as snipers in the city. We now have the authority to use airpower when you become a target of one of the dissident fac-

"You mean we're sitting ducks?" "It means you will dig in as deep as you can until President Reagan, your commander in chief, can arrange a cease-fire between the Druze, the Christian Phalangists, the present Gemayel government army and the Syrians.

"Why are we called a peacekeeping force if we can't use our guns to keep the peace?"

"Because, since you are designated as such, the president has the authority to keep you there as long as he deems necessary. If you are sent in as a combat force, the War Powers Act has to be put into effect, and then Congress may dictate foreign policy. Technically, the U.S. Marines have been engaged in 'hostilities,' but the White House cannot admit that without giving up the president's executive powers. Is that clear?"

"Good. We will continue. As a peacekeeping force your mission is not to take sides in a family dispute. What is going on now is that the Druze, Moslems and Christians are settling old scores that go back hundreds of years. They have committed atrocities against each other for centuries. If Washington can get them all to sit around a table and forget the past, we can bring peace to the Middle East."

"And if Washington can't, we get our butts shot off."

"I can assure you Washington has no intention of your getting your butts shot off. If we wanted to we could waste Lebanon in 10 minutes. Okay, you know all you need to as to what your mission is. Now remember, men, hold your fire. As a peacekeeping force you can't afford to get mad at anybody."

When It's Tom Mix Time at DuBois

By Henry Mitchell

Washington Post Service DuBOIS, Pennyslvania—The United States is in one hell of a state if you have to explain who Tom Mix was, and this small city out from Pittsburgh hopes that a few more years of annual Tom Mix Festivals will illuminate even the dimmest corners of the Limited States

Not to split hairs, Tom Mix was the most radiant of movie cowboys, with the cleanest western jaw and the steadiest eye and hand, to say nothing of his horse that could stomp bad guys and could swim into a raging torrent to fetch back a baby in a basket headed for the falls.

"I used to get into fights about him," said Dr. Richard F. Seiverling of Hershey. "I was an orphan and maybe Tom Mix in those Saturday afternoon serials was a surrogate father or something. I couldn't have found a better. I didn't have a horse till I was 45 years old, but I had a stick and galloped around with it playing Tom Mix and I wouldn't let anybody else say a word against

There is no telling how many million mature persons around the world still know the Tom Mix club password (from radio days). which begins Ral and the other kid says Ston, a delicate allusion to Ralston, the cereal company that sponsored him.

Until fairly recently Seiverling was like all the other Tom Mix fans, minding his business at his job with the Pennsylvania education department and dandling his grandchildren, but then came the year 1980, centennial of Tom Mix's birth, and it was too much. Like his hero, Seiverling does not use bad words but he knew that "come hell or high water" there was going to be a Tom Mix celebration that year, and there was, and there has been ever since.

The town takes to the streets, eans and western garb, plus the largest display of great-aunts and hearty bakers of funnel cakes this side of Dutch Heaven. The center of the hubbub on Brady Street, the main drag, is the Paradise Gulch Saloon. "Don't you go in there," roared a mother to a knee-



den of iniquity. "You stay right to a little boy and his dog, both of here with Grandpa." Outside the streets were solid

all respects.

open, absolutely clean, and a good-looking son of a gun with black hair. He did all his own stunts. He rode old Tony, his horse, across a 30-foot wide canvon in one movie ("Three Jumps Ahead" in 1923) and a cliff fell on both of them in another movie when dynamite went off too soon. Tony was a glorious horse, but he did keep falling on top of Tom Mix in real life, and the cowboy

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shoulders were wired together for a whole year after one accident) that you could acquire a drawing showing where all his wounds were, each one numbered, with legends explaining how each one

For all his cleamess on the screen - never smoke or drank or used a bad word - Tom Mix had human foibles. When he died (his yellow Cord failed to take a detour on the road at Florence, Arizona, in 1940, and a piece of luggage sailed up and broke his neck) the U.S. Army refused to provide a flag for his coffin since Tom Mix had been a deserter.

A harsh word. Tom Mix was in the Army about four years at the turn of the century and everything was okay till he fell in love with and married a schoolteacher. Some say (and all true believers know) she gave him a hard time and besides her father didn't think Tom Mix was good enough for her, and what with all these pressures Tom Mix did sort of go AWOL and didn't return.

He had five wives in all. It wasn't Tom's fault, really. Women couldn't leave him alone and

At his peak, a peak that went on for years and years, since Tom Mix was still making movies when he was nearly 60, and still using no stunt men, he made \$17,000 a week, the highest paid star of the 1920s, and the savior of Fox (later 20th Century-Fox), which every-body in Hollywood called Mix-

Tony, the Wonder Horse, came to be known as Tony Senior. There were two other Tonys, one of them a white Arabian, who was all right, but Tony (who was put out to pasture and who died at the age of 33, two years to the day after his master) was something else. Chestnut sorrel with white socks and a frontal blaze ending at the top in a great distinctive

diamond shape. The parade got going an hour late because some of the bands

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ly impressive pile of droppings in front of the Courier Express building with its Romanesque sandstone arches, and no matter what they say about American youth a vast number of trombone players in a number of bands managed not to step in it, without losing beat or general snappiness

"This gets tiresome," said Essie Quinn, one of dozens of townspeople who work all year on the festival, as she and a friend lugged a nail keg around for donations to meet the expense of getting the school bands to town. These ladies were ilressed in burlap, and when not marching about with the keg, they usefully scooped up after horses.

Tom Mix's daddy ran the stables for old Mr. DuBois, who was the big man in the lumbering operations around here, and Tom was born just up the road at Mix's Run, named for Amos Mix, his great-grandfather.

Over coffee Richard Seiverling said it used to tee off Tom's mother when he claimed his mother was Cherokee Indian.

"Didn't have a drop of Chero kee in him. His daddy was English, his mother was Dutch German. And Tom did exaggerate. All that bull about the Boer War and riding up San Juan Hill." The lights of the Playhouse immed. Tom Mix in "The Mir-

acle Rider." Three boys, 5 to 8 years old, raced up and down the aisles every nine minutes. "Don't you remember that?" an old-timer said later. "You got so excited you had to go, bitterly begrudging every minute."

The sound left much to be desired, as if the track were on an old record and it took a while to grind it up to full speed. But the theater was utterly perfumed with popcorn. You got extra butter free. Coffee was 15 cents.

Never mind the AWOL and the five wives and a period of drinking too much and the tax evasion case (they sent Tom's accountant to jail) and a few fibs (he swore he was born in El Paso) and all that. Life is one thing, art another. You don't hear people yammering about Goethe because he married his cook, or Marlowe because he died in a tavern brawl. What's left, at the last, is the readiness, the sparkling bravery, the image - the illusion, if you insist - of the best old boy there ever was in

PEOPLE

William Sugar

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Finder, 16, Is Allowed To Keep Lost Jewels A 16-year-old orphan who strm-

bled on a cache of diamonds, gold watches and rings valued at \$1.3 million says he plans to buy a "dream house" for his aunt and a car for himself now that he has been told he can keep the loot. Eric DeWild found the 69 pieces of jewciry six months ago in a plastic bag lying beside some railroad tracks near his home in Los Angeles. The police were required by law to hold the valuables — including a 15-carat diamond valued at \$100,000 -for 180 days to give the owner a chance to claim it. DeWild went to the police station Tuesday with his annt and legal guardian, Eva Trost, his attorney, Charles Morgan of North Miami Beach, and officials of the Northern Trust Bank of Florida, guardian of DeWild's property until he turns 18. to claim his find.

James Baldwin, recovering from a minor heart attack, could return to his teaching duties as a visiting professor in western Massachusetts as early as next week, school officials say. The writer was reported in satisfactory condition at Cooley-Dickenson Hospital in Northampton, Massachusetts.

Eric Clapton, Bill Wymau, Jim-my Page, Stevie Winwood and oth-er rock stars staged a three-hour super-session in London's Royal Albert Hall to help out an old pai crippled by a muscular disease and thousands of his fellow sufferers. The sold-out concert was the first of two charity shows that are expected to raise £1 million (\$1.5 million) for victims of multiple scierosis and charities patronized by Prince Charles, heir to the British throne. Tuesday's show was a favor to Ronnie Lane, 38, onetime guitar player with Rod Stewart's band, The Faces, who was sidelined by multiple sclerosis three years ago. Another show Wednesday was for Prince Charles's trust fund for deprived children. . . . Gene Kelly will host the Royal Variety Show for Queen Elizabeth II. Nov. 7 at London's Theatre Royal, impresario Louis Benjamin announced. The £500,000 extravaganza will also feature Twiggy and her dancing partner, Tourny Tune, who will leave their Broadway hit "My One and Only" for the night to fly to London for the show.

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"Don't Pinch the Ping Pong Balls," said one sign, and "No Loitering, No Pets" said a rather unfriendly sign at the General Pershing Hotel, where a rare example of violence had occurred Thursday night right there on Brady Street where the bar is graced with an 1880-type curved bay window with stained glass on top and clear glass beneath. "This young fella got mad because they wouldn't serve him -oh, yeah, he was good and drunk, that's why —and he busted that big window with his fist, which is why it's all

Next door is the Playhouse where you could see William S. Hart in "Tumbleweed," and while it was okay (the hero held the villain under water in the town high investigator heading for the horse-trough until he apologized

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plywood now," said a girl in the

whom he had treated rudely) it was the Tom Mix films everybody "Death of a Traitor" was about

this Indian who had left his tribe because these white guys were using him, see, to get control of tribal land, and Tom Mix was on to them. The Indian - well, you had to be there. This film, like most of the roughly 370 Tom Mix made between 1910 and 1935, showed the cowboy tough, generous to a fault, a straight shooter in Lord, yes. Tom was absolutely

> couldn't get there on time. A wonderful Tom Mix lookalike headed it on his horse, followed by Slim Binkley, who for

some years was Tom Mix's valet. Slim's horse made an astonishing-

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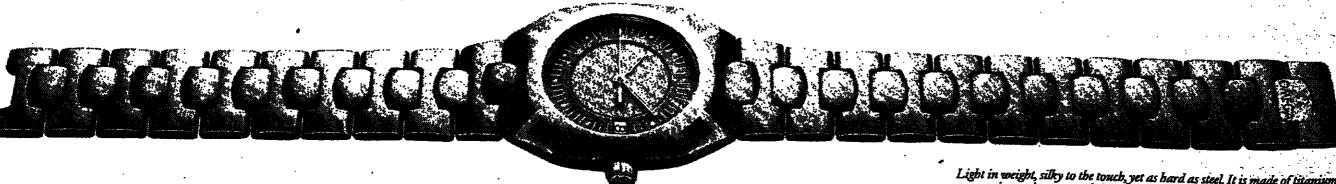
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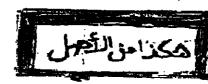


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